

FINANCIAL TIMES

World Business Newspaper <http://www.ft.com>

TUESDAY APRIL 20 1999



Corporate lifespans
Why don't more
big companies die?
Peter Martin, Page 14



Anglo American
Promising to be a model
of transparency
Interview, Page 12



Fund management
Why MLM defends
the right to misjudge
Page 24

Third world debt
The west offers
deeper, faster relief
Page 6

WORLD NEWS

EBRD warns it may cut lending in wake of Russian crisis

The European Bank for Reconstruction and Development, the multilateral bank for the countries of the former Soviet bloc, could cut its lending in the wake of the Russian crisis, Horst Köhler, the bank's president, said. Page 16

New government for India 'in days'
India's Congress party said it would form a government to replace the ousted Bharatiya Janata party coalition "within days", but it plans to approve the BJP's budget tomorrow. Page 16

Turkish nationalists set for power
Bülent Ecevit, Turkey's prime minister, was set to form a government with the Nationalist Action party, the far-right group that secured the second largest share of the vote in general elections. Europe, Page 3

No breakthrough in Ulster talks
Five hours of talks between Northern Ireland's political parties in London failed to achieve a breakthrough in the deadlock over terrorist disarmament. But all the parties ruled out putting the peace process on hold until the autumn. Britain, Page 11

Rome tries to salvage reforms
Italy's leading politicians were trying to salvage the country's drive for political and institutional reform after a referendum on Sunday failed to end proportional representation. Europe, Page 3

Winter Olympics loses sponsor
The Olympic corruption scandal claimed its first sponsorship victim after Johnson & Johnson said it had abandoned plans for a \$30m sponsorship deal with the 2002 Winter Olympics in Salt Lake City. US, Page 5

Australian alarm over East Timor
The Australian government signalled its growing alarm over escalating violence in East Timor with a sudden decision by John Howard, prime minister, to visit Indonesia. Asia-Pacific, Page 8

Gaddafi brokers 'Congo peace'
Muammar Gaddafi, the Libyan leader, has brokered a peace agreement between the Ugandan and Congolese presidents, aimed at ending the nine-month war in the Democratic Republic of Congo. Libyan state media said. International, Page 6

Report on Africa's child soldiers
More than 120,000 children, some as young as seven, are serving as soldiers in Africa's wars, according to a report. International, Page 6

Colombia renews guerrilla talks
The Colombian government will renew talks with leftwing guerrilla leaders today in what may prove the last realistic chance of hammering out a specific agenda to end 35 years of fighting. Latin America, Page 5

Nigeria to lay off civil servants
Nigeria's military government is quietly preparing to lay off tens of thousands of civil servants. International, Page 9

US taxpayers field \$5bn sports bill
Major league ball parks, stadiums and arenas have cost US taxpayers more than \$5.2bn since 1989 and will cost at least another \$9bn in coming years, says a new study. US, Page 5

BUSINESS NEWS

Europe's retail giants forge new alliances

Europe's retail sector was braced for a long-awaited round of consolidation as some of the region's leading companies, including Kingfisher and Asda in the UK and Karstadt and Quelle in Germany, announced alliances aimed at creating a super league of retailers. Companies and Markets, page 17; Lex, Page 16

Fininvest, \$10bn holding
company of Silvio Berlusconi, is planning to transform itself into a pan-European media and entertainment conglomerate to rival US media and entertainment groups such as Time-Warner. Europe companies, Page 18

Suoni, embattled Italian fashion
company, has written to LVMH, French luxury goods group, promising to recommend acceptance of an LVMH offer if it makes an unconditional offer of \$88, valuing Suoni at \$8bn. Europe companies, Page 18

Citigroup, financial services
conglomerate, launched a bullish assessment of its prospects as its first quarter earnings showed profits up 12 per cent to \$2.42bn. Companies and Markets, Page 17; Fortunes diverge, Page 20

Volvo, Swedish automotive group,
announced a \$K26.7bn (\$3.21bn) capital gain on the sale of its car division to Ford of the US and pledged to use the proceeds for a share buy-back and acquisitions. Europe companies, Page 18

Hyundai and Daewoo, South
Korea's two biggest conglomerates, announced restructuring plans to cut their large debts in response to growing government pressure. Companies and Markets, Page 17; Lex, Page 16; Daewoo shipbuilding sale, Page 22

Five-year agreement signed
between London and six of the world's top insurers to cover its central mutualised fund for \$250m (\$563m) - increasing to \$200m the resources that support the market's policies. UK news, Page 10

The World Trade Organisation
authorised the US to impose \$19.4m in trade sanctions on European Union goods as retaliation for the EU's failure to make its banana import regime consistent with international trade rules. World Trade, Page 4

Deloitte Touche Tohmatsu,
the global Big Five firm, has announced plans to integrate financially its national firms into a single organisation covering 90 per cent of its \$9bn revenues. North American companies, Page 20

Austrian Airlines, one of Europe's
fastest-growing and most profitable carriers, is seeking to raise around \$250m (\$268m) in new equity. Europe companies, Page 18

Euro Markets
News, analysis and statistics on the euro currency zone, covering foreign exchange, bond and equity markets. Page 27

Telecoms boards meet to discuss \$180bn link

Deutsche Telekom and Telecom Italia merger would face regulatory hurdles

By Paul Bette in Milan, William Lewis in New York and Alan Case in London

The supervisory boards of Deutsche Telekom and Telecom Italia were meeting last night to discuss a merger that would create the world's largest telecommunications group.

The proposed deal would change the balance of power in the global telecoms industry, but it faces huge regulatory hurdles and the difficulty of unravelling alliances with other operators.

Governments in France, Germany and Italy are awaiting details of the plan, which raises sensitive issues of ownership and control of a strategic industry. Telecom Italia announced last night that it was postponing a press conference in London today where the planned alliance was expected to be unveiled. The announcement came in the middle of a board meeting that had already lasted seven hours.

The delay fuelled speculation that Franco Bernabè, Telecom Italia's chief executive, was facing opposition from his board, which is trying to fend off a separate hostile bid by Olivetti, its smaller Italian rival. The main sticking point appeared to be a proposal that would see the Ger-

mans owning 60 per cent of the merged entity.

A Deutsche Telekom-Telecom Italia merger would create a sprawling giant with a market capitalisation of almost \$180bn, and would mark the first time that one national operator has acquired another.

Both companies have important alliances and cross-shareholdings with other operators, with one of the most important being the link between Deutsche Telekom and France Telecom.

France Telecom said yesterday it was told of the deal only at the weekend. It said: "Our agreements with Deutsche Telekom are clear and incompatible with a unilateral strategic reversal."

The deal has received a favourable reaction in Bonn and Massimo D'Alema, the Italian premier, is under political obligations to Germany after Bonn's endorsement of Romano Prodi as the new European Commission president.

However, Mr D'Alema insisted yesterday Italy could not accept the idea of a privatised Telecom Italia merging with a company whose principal shareholder was the German government.

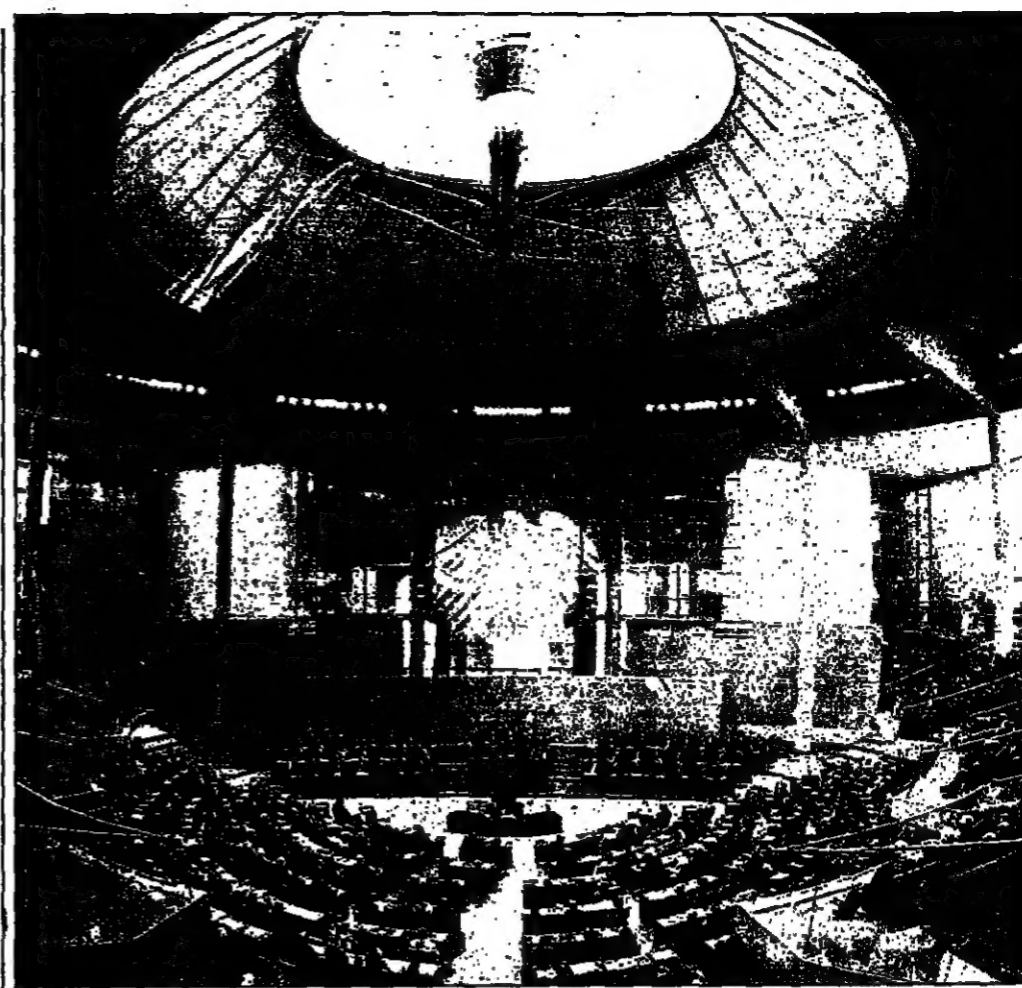
Deutsche Telekom is 74 per cent state owned, while the Italian Treasury still holds a 3.4 per cent stake in Telecom Italia as well as a golden share.

Although Mr D'Alema said his government was studying "with interest" the proposed merger, he also insisted it was still necessary to know how and when the German government intended to shed its controlling stake.

Goldman Sachs in advising Deutsche Telekom, JP Morgan and Credit Suisse First Boston are advising Telecom Italia.

Additional reporting by David Owen in Paris, Michael Smith in Brussels and Ralph Atkins in Bonn

Olivetti sticks with bid, Page 18



Parliament set in the reopened Reichstag building in Berlin for the first time yesterday

Reichstag opening heralds new era but remembers past

By Helg Skonwien in Berlin

Brilliant sunshine on the Reichstag cast a shadow of the past across Berlin yesterday as politicians crowned the unification of Germany with their first parliamentary session in the restored building.

But the speeches in the opening debate under the high-tech steel and glass dome were curiously downbeat. Even Gerhard Schröder, the German chancellor, talked more about the past than the future.

Outside, a small group of protesting concentration camp survivors, dressed in prison camp clothes, underlined the difficulties Germany faces in trying to look forward by calling on politicians not to forget the Holocaust.

Mr Schröder has been a powerful orator in high-profile events, such as the European Union's Berlin summit or the special congress of his ruling Social Democratic party in recent weeks. Yesterday, however, it was a more reflective chancellor who mused on the Reichstag's prominence in the upheavals which have convulsed Germany since the building was completed in 1894.

Rather than sending a strong political message, his focus was on Berlin and its role as the new capital.

The DM600m (£308m, \$328m) Reichstag project, masterminded by Sir Norman Foster, the British architect, marks the latest, and most important, step in the transfer of the German government from Bonn to the new capital.

By September, when the Reichstag will become the permanent home of the Bundestag - the lower house of parliament - most ministries should be fully or partly functional.

The chancellor went out of his way to reassure Germany's partners the democratic values that had characterised Bonn would not be diluted.

"The move to Berlin is a return

to German history, to the place of two German dictatorships, which brought great suffering to the people of Germany and of Europe," Mr Schröder told the Bundestag members. "But equating Reichstag with Reich [empire] makes no sense... The federal model of German politics goes on and is not in the slightest danger." He emphasised that the city's proximity to Poland and other eastern European countries would underpin the EU's efforts to incorporate former communist states from the east.

But he also underlined that last year's election of a Social Democrat-led government and of a new generation of politicians born after the fall of the Nazis marked a turning point. Referring obliquely to German participation in Nato action in Yugoslavia, he noted: "Germany's role in the world has changed."

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Belgrade beginning to waver, says Italy

By James Bittz and William Dawkins in Rome

Slobodan Milosevic, the Yugoslav president, is under pressure from the country's business and political establishment to seek a negotiated settlement to the war in Kosovo, Italy's foreign minister claimed yesterday.

Lamberto Dini told the FT that some in the Belgrade establishment now doubt the wisdom of Yugoslavia continuing to submit to the Nato bombing campaign.

The foreign minister did not give specific details of his sources, but Italy has long had close diplomatic ties with Yugoslavia and with the Serb leadership. Italy is the only country taking part in the Nato attacks which still keeps an embassy in Belgrade. Its ambassador was summoned to Rome over the weekend for consultations and briefed Mr Dini yesterday.

"Doubts are beginning to emerge among people in his circle," Mr Dini said. "There is beginning to filter into Milosevic the doubt and the question that he is not likely to succeed and that he should seek a negotiated settlement."

Mr Dini said he understood that doubts were being expressed by traditional supporters and those close to the Serbian leader.

The criticisms had come from "members of the various political parties in the government coalition and factory managers".

Mr Dini said the Italian government continued to back the Nato bombardment, most of which has been launched from military and civil airports on its territory. "Italy is not a weak link," he said. But he warned that the time available for political settlement was limited. The war would develop an unstoppable momentum "within two weeks".

A senior Italian defence official said Nato leaders would discuss the possible use of ground troops at their summit in Washington at the end of the week.

Mr Dini expected Russia to launch an initiative in the next week to convince Mr Milosevic to accept the principle of an international force to protect refugees returning to Kosovo. One option being looked at was a force including a substantial Russian contingent under Nato command.

"We are telling [Milosevic] that Nato will remain unified and that he must understand that he cannot win," Mr Dini said. "The question is after how much damage and tragedy to Kosovo and to his own people."

Kosovo crisis, Page 2

Returning the refugees, Page 14

CONTENTS

World News: The Americas 5,

International 6, Asia Pacific 8,

Trade 4, UK 10

European News: 2,3

Management/Technology: 12,26

Comment & Analysis: 14,15

Companies & Finance: 17-24

Europe 18, The Americas 20,21,

Asia Pacific 22,

UK 24,

Capital Markets 28

World Stock Markets: 34-40

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STOCK MARKET INDICES		
New York: Dow Jones Ind	9750.57	(-83.21)
NASDAQ Composite	2450.83	
Europe and Far East		
FTSE-100	4375.54	(-75.43)
DAX	3220.15	(-64.80)
FTSE Europe 300	3215.5	(-64.7)
Nikkei	1510.88	(-21.74)
Nikkei	1874.21	(-177.37)
US LUNCHTIME RATES		
Federal Funds	4.625%	
3-month T-bill	4.312%	
Long Bond	5.5%	
OTHER RATES		
UK 3-month Interbank	5.4%	(110.87)
UK 10 yr Gilt	5.25%	(108.08)
Euro Eurobond	5.25%	(108.08)
Germany 10 yr Bund	5.07%	(102.797)
Japan 10 yr JGB	4.05%	(105.084)
NORTH SEA OIL (Apr)	518.085	(15.87)
Brent Dated	518.085	(15.87)

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Euro-zone target price 22.15, below in local currency or above		
Bahrain	Dh1.200	100.00
Bahamas	BS\$100.00	100.00
Belize	BZ\$100.00	100.00
Bolivia	US\$4.00	100.00
Brazil	R\$18.00	100.00
Canada	C\$18.00	100.00
Chile	US\$1.00	100.00
Colombia	US\$1.00	100.00
Czech	US\$1.00	100.00
Denmark	DKK100.00	100.00
Egypt	US\$1.00	100.00
France	FF1400.00	100.00
Germany	DM100.00	100.00
Greece	US\$1.00	100.00
Hong Kong	US\$1.00	100.00
India	US\$1.00	100.00
Indonesia	US\$1.00	100.00
Italy	US\$1.00	100.00
Japan	US\$1.00	100.00
Korea	US\$1.00	100.00
Malaysia	US\$1.00	100.00
Mexico	US\$1.00	100.00
Netherlands	US\$1.00	100.00
New Zealand	US\$1.00	100.00
Norway	US\$1.00	100.00
Poland	US\$1.00	100.00
Portugal	US\$1.00	100.00
Romania	US\$1.00	100.00
Russia	US\$1.00	100.00
Saudi Arabia	US\$1.00	100.00
South Africa	US\$1.00	100.00
Spain	US\$1.00	100.00
Sweden	US\$1.00	100.00
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WORLD NEWS

EUROPE

KOSOVO CRISIS ALLIANCE STUDIES WAYS TO STOP FUEL GETTING THROUGH MONTENEGRIN PORT ■ SERBS DIG IN TO SURVIVE WAR-TORN ECONOMY ■ CONFLICT HITS AGRICULTURE IN REGION

Bid to set record straight on civilian deaths Nato looks at ways to cut fuel supplies

By Neil Buckley in Brussels

Nato admitted yesterday it may have bombed civilian vehicles and refugees in a convoy last week, in an attack that has become a public relations disaster for the alliance and in which Belgrade says dozens of civilians died.

But the alliance insisted that its pilots believed they were attacking military targets and that they stopped their attacks as soon as they realised civilian vehicles might be mixed with mili-

tary trucks. It added it could not be certain of the extent of any civilian casualties.

Nato suggested Yugoslav forces might have removed military vehicles from the site before displaying the damage to international journalists last Thursday, and hinted that the Serbs may have attacked some refugees themselves.

The admission that Nato might have hit civilians in two attacks around the town of Djakovica came in a detailed briefing, illustrated with cockpit videos, by a

senior US air force commander. It came at the end of the most difficult five days so far for the western alliance in the four-week-old campaign.

Nato's attempts to apologise for the incident and to put it behind it have been hampered by its confused and often contradictory explanations.

Brigadier-General Daniel Leaf confirmed that Nato F-16 bombers were involved in two separate attacks, north-west and south-east of Djakovica, last Wednesday.

In the first F-16 bombers hit a three-vehicle convoy they were convinced were responsible for setting fire to homes and villages in the area, and stationary vehicles in the middle of a complex of buildings. Damage from this attack was shown on Serb television on Wednesday night.

Nato, which has admitted responsibility for this incident, said yesterday it was convinced the targets were military but that "collateral" damage might have occurred.

Brig Gen Leaf added that Nato jets, including one also involved in the attack north-west of town, had later launched several attacks on a "very large convoy" south-east of Djakovica. This was the location to which the Yugoslav authorities escorted international journalists on Thursday.

Brig Gen Leaf said the convoy of 20 vehicles, uniform in shape and colour, travelling at a steady pace with regular distances between them, bore the hallmarks of a military convoy.

An airborne command, control and communications plane had also signalled that it was an army convoy.

Nato jets made several attacks with laser-guided bombs from 12-18 GMT.

Attacks were suspended at 13.00 when questions were raised about the identity of the convoy. Spotter aircraft were called in and the attack called off.

"We may well have caused damage to a civilian vehicle and unintentional harm to civilian lives," Gen Leaf said.

Nato military planners are studying ways of choking off remaining fuel supplies to Yugoslav forces, amid concerns that continuing oil deliveries by sea could undermine the effectiveness of the alliance's bombing campaign.

The alliance says its air attacks have already destroyed 70 per cent of Yugoslavia's fuel stocks and disabled both its refineries.

Officials say there is evidence that Serb troop movements have been curtailed to preserve precious fuel.

But there has been mounting irritation over the past week that although fuel deliveries along the Danube river have been cut off, Yugoslavia is still receiving refined fuel through the port of Bar in Montenegro.

Nato ambassadors instructed the military command late last week to look at ways of cutting off supplies. These might stretch from stopping and searching ships, turning away those carrying fuel, to stopping all ships from landing or even attacking port facilities.

"Our military authorities are looking at what the options are to screw the top down further," said Jamie Shea, Nato spokesman. "We are going to do whatever we can within the existing

scope of the operation to make the oil run out quickly."

However, while there is understood to be broad agreement among Nato ambassadors on the need to act, there are differences over what should be done. France is understood to be keen for Nato to find a firm legal basis for any action involving searching or blocking ships.

"France has adopted a legalistic position," said one Nato diplomat.

France came out yesterday against a full oil embargo on Yugoslavia but said it favoured a restrictive policy that would control and monitor the flow. At the same time it proposed the EU should act in consultation with Yugoslavia's neighbours - Bulgaria, Hungary and Romania.

Strategy towards vessels carrying fuel supplies to ports in Montenegro appeared to be equally sensitive in Paris. President Jacques Chirac is against Nato bombing of Montenegro for fear it could destabilise the country's efforts to distance itself from the Milosevic regime in Belgrade.

France said it was important to avoid measures that could enlarge the conflict. It added that the legal basis of an oil embargo was dubious without backing from a United Nations resolution.

Serbs draw on all their experience of hard times

Yugoslavia may be able to survive long on a war footing, writes Guy Dinmore in Belgrade

In the flatlands of central Serbia many farmers have discarded their tractors for lack of diesel and have hitched up horses and cattle to their ploughs. Where there is no livestock, peasants are tilling their fields by hand.

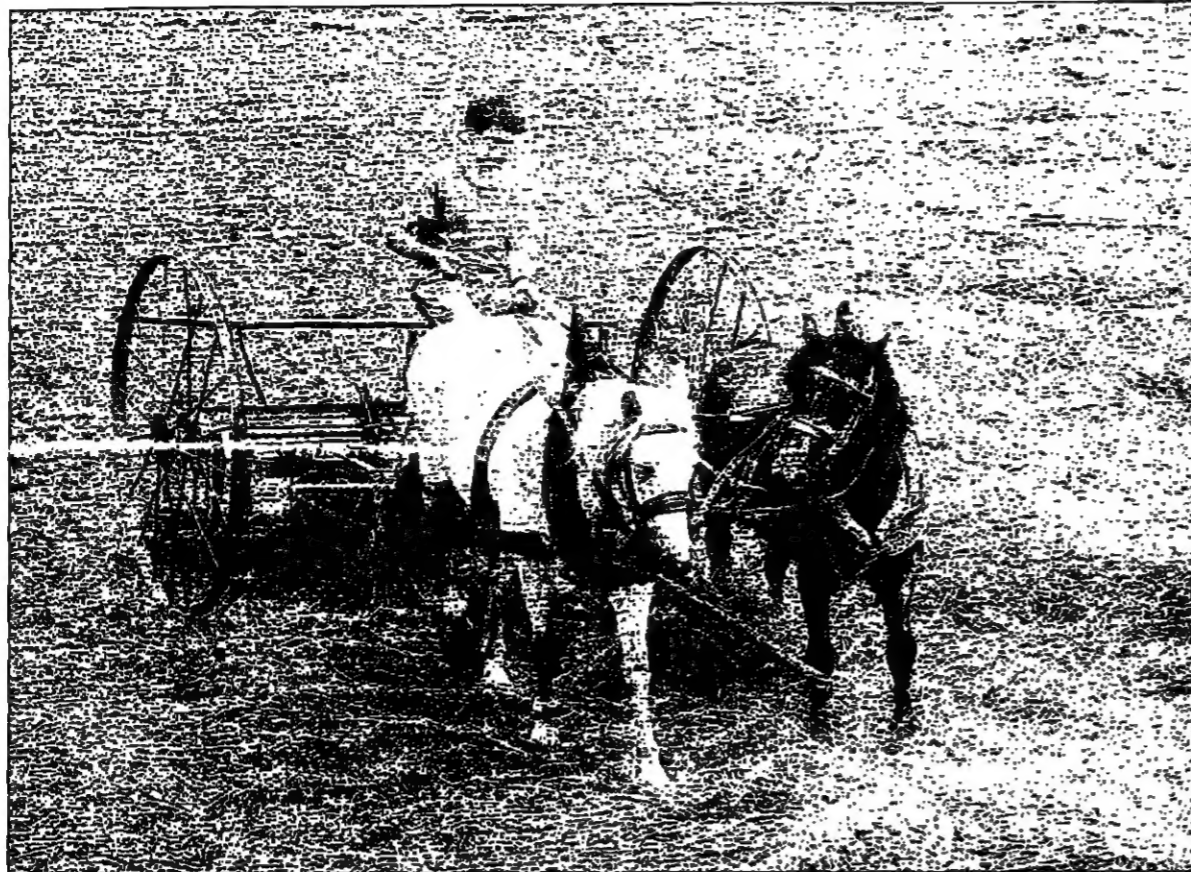
Nato's bombing is taking its toll on Yugoslavia's economy, which was already showing signs of slipping back into recession before the offensive began.

Yet sugar, milk and Italian cooking oil fill the shelves in Belgrade's state-run O-Market stores. To the surprise of many basic foodstuffs are now in better supply than before the air strikes began nearly four weeks ago. And some economists believe the country can probably survive longer on a war footing than many people think.

Yugoslavia was never fully industrialised and many urban Serbs still have one foot in the countryside with a small summer house and plot of land. Nato is steadily taking out bridges across the Danube, cutting off the richest farmland in the northern province of Vojvodina from the rest of Serbia, but the big cities can still rely on their immediate hinterland for provisions.

"We've always had surpluses of food. No one is afraid of being hungry," said one economist, who asked not to be named, noting that even economic statistics are an official secret under the state of war declared by the federal government.

Even before the bombs fell, economists estimated agricultural output would fall by up to 20 per cent because of a shortage of fertiliser, caused in turn by a lack of hard currency to pay for imported gas to make it. The bombing on Sunday of a petrochemicals complex in Pancevo will make matters worse, but farmers - as they did during sanctions imposed during the 1992-95 Bosnian war - are expected



Lack of diesel has not stopped farmers using traditional methods in a country that was never fully industrialised

Parce Pictures

to revert to manure and sow more land.

Life under sanctions, when Yugoslavia was under an almost total trade embargo, has given the government of President Slobodan Milosevic plenty of crisis experience. In 1993 Belgrade tried to print its way out of trouble, triggering hyperinflation that ran into billions of per cent. Now, bankers say, the central bank is committed to keeping the dinar and prices stable, even at the risk of deflation. The dinar has slipped in value on the black market over the past month, but only by about 12 per cent.

Most state workers this month will only receive about half their salaries. Payments of pensions are several months behind. "But as long as the bombs keep falling, no one will protest," one banker said. "By keeping silent we support Milosevic, but what can we do?" Under sanctions many workers were paid largely in

kind. Doctors at state hospitals turned autopsy tables into butchers' shops, slicing up sides of pork for their staff. With thousands now out of work after the bombing of the Zastava car plant and other factories, the experience gained during that period is likely to be widely drawn on.

The government of former communists is using the crisis to centralise the economy further. Directors of key industries hold cabinet positions. The long discussed amalgamation of 22 banks has finally gone ahead under the command of Borka Vucic, the head of Beograd-ska Bank who for years managed the regime's hard currency reserves in offshore accounts.

Vojislav Seselj, head of the ultra-nationalist Serbian Radical party and a deputy prime minister, has suggested the government should collect war damages by "seizing the property of hostile states on our territory". This would include the assets of Telecom Italia, which along with OTE of Greece, paid about \$1bn in 1997 for a 49 per cent stake in Serbia's state-owned telecommunications company.

Economists warn, however, that if the central government goes too far with its desire to control then it risks choking the "grey" economy which accounts for more than a third of gross domestic product. Imported cigarettes are already hard to come by while oranges and bananas are absent from Belgrade's open markets. Many small private enterprises have already shut down.

Most damaging in the short term is the shortage of fuel. Hungary - Nato's newest member - has cut off supplies of oil to Yugoslavia by its state-run energy company MOL. Russian gas that transits Hungary has also been shut down.

Nato peacekeepers are endeavouring to stop the flow of gasoline from the Serb-controlled half of Bosnia. Serbia's only outlet to the sea - Montenegro's short strip of Adriatic coast - is also easy to blockade.

Traffic is thinner in Belgrade but it still has its rush-hour gridlock. Smuggling channels that kept Serbia moving during the sanctions - despite the presence of international observers - are being re-opened.

"Air raids alone cannot eradicate economic activity," one economist said.

But while Mr Milosevic can call upon his nation to make even greater sacrifices during a time of war, it is less certain his regime will be able to prolong its grip on power once the conflict is over. Without some kind of "Marshall Plan" for reconstruction by the western powers - unlikely to be offered while the current government remains in office - Serbs fear their country will remain starved of foreign investment, facing years of economic hardship.

Conflict disrupts food supplies

By Paul Solman in London

The Kosovo crisis has devastated agriculture in the region and is having far-reaching consequences for food supplies both locally and across Europe.

As well as the immediate problems of feeding refugees, fighting in Kosovo has restricted crop planting since last autumn. According to the United Nations Food and Agriculture Organisation (FAO), Kosovo's 1998-99 wheat crop, which provides about 300,000 tonnes, has been missed.

Nato bombing has also disrupted the trade in frozen raspberries. Serbia is one of Europe's most important suppliers of the fruit, which is frozen and exported to food manufacturers for making jam, yoghurt and pies.

About 100,000 hectares of Kosovo's maize, 25,000 hectares of vegetables and 30,000 hectares of other crops normally planted in March and April have been lost as a result of fighting.

"A large amount of farming equipment has been looted or destroyed," the FAO said. "Huge losses of livestock due to violence, disease and abandonment are also reported."

Meanwhile, fruit traders say European frozen raspberry prices are set to jump amid signs that shipments from Serbia will stop. Although the fruit is still available, Nato bombings have disrupted transport. One trader said the cost of shipping from Serbia to the UK had risen from DM7,300 (£7,700, \$4,000) to DM8,500.

Prices of Serbian frozen raspberries have risen slightly to about DM3.10 a kilogram, but traders say they could jump sharply if supplies are held up.

The Federal Republic of Yugoslavia produced 40,000 tonnes of raspberries last year, the third biggest crop in Europe after the Russian Federation and Poland.

NEWS DIGEST

NATO REQUESTS SURVEILLANCE HELP

France reinforces its aerial intelligence role

France is reinforcing its role in providing aerial intelligence on Kosovo as a result of a request from Nato command. It will deploy two new types of drone in addition to a helicopter-borne system of radar surveillance within the next week, General Jean-Pierre Kalche, head of the French joint chiefs of staff, said yesterday.

The equipment, to be operated by some of the 2,500 French troops stationed in Macedonia, will boost information on the location of concealed armour and artillery as well as movements by Serb regular and para-military forces inside Kosovo.

Nato's request underlines its need to use all available means to pinpoint Serb military targets. Both drones are launched from mobile platforms and can overfly Kosovo, while the Horizon helicopter, which will operate from the Macedonian border, has a radar capable of probing 150km inside Kosovo. The French Helios satellite system is providing high altitude battlefield information.

France is raising the number of aircraft in the Nato operation to 73, the largest contingent after the US, Robert Graham, Paris.

NO MORE RUSSIAN WARSHIPS

Yeltsin in sign of compromise

President Boris Yeltsin said yesterday Russia would not allow the west to control Yugoslavia but in a sign of a compromise with Nato he said no more Russian warships would sail to the Adriatic Sea.

"Bill Clinton hopes to win, he hopes [Yugoslav President Slobodan Milosevic] will capitulate, give up the whole of Yugoslavia, make it America's protectorate," said Mr Yeltsin. "We will not allow this. This is a strategic place, the Balkans." In a more conciliatory vein, the president said Russia was ready to carry on acting as a go-between and would not send further warships to the Balkans region.

Russia, which sternly opposes Nato military action in Yugoslavia, has sent a small reconnaissance ship, the Liman, to the Adriatic and has kept several warships on standby, Charles Clover and Reuters, Moscow.

GERMAN RESPONSE

Greens back away from Nato

Germany's Greens, the junior member of the "Red-Green" coalition of Social Democrats and environmentalists in Bonn, yesterday formally distanced themselves further from Nato policy in Yugoslavia, increasing the strains on government policy in the region.

Antje Radcke, the Greens' co-leader, said after a meeting of leading members that the party would no longer support Nato strikes on civilian targets in Yugoslavia or bombing raids on Montenegro. She warned that opposition among Greens to the Nato campaign was hardening as the bombing continued without producing any obvious results. "It's increasingly dubious what Nato's air strikes are achieving," she said. Heig Simonian, Berlin.

MACEDONIAN FACILITIES

Plea to expand camps

Humanitarian agencies yesterday urged the Macedonian government to allow the expansion of existing refugee camps and the construction of new camps for expected arrivals in the coming weeks. Existing refugee camps are full with about 45,000 ethnic Albanian refugees from Kosovo and there is no accommodation for new arrivals, according to aid workers.

The Macedonian government initially agreed to allow expansion of the existing camps but when the attempt was made to extend the Stankovac 1 camp, the authorities backed down after local farmers turned out in force to protest. Matej Vipotnik, Skopje.

IMF likely to sign \$450m deal with Romania

By Arkady Ostrovsky and Stefan Wagstyl in London

Romania is set to seal a \$450m deal with the International Monetary Fund in the next two days that would help ease months of investor concern about the country's economic stability, according to Christian Popa, vice-governor of the National Bank of Romania.

The deal, which appears to have been settled earlier

than expected because of concern over the economic impact of the Kosovo crisis, will help Romania avoid a much-feared default on its international bonds.

Mr Popa said \$315m of the IMF money would be disbursed this year and pave the way for a \$250m World Bank loan, agreed in principle.

The IMF has previously said its lending to Romania was conditional on the coun-

try's ability to roll over its international bonds, which would in effect have amounted to a default.

But Mr Popa said Romania had managed to reach a deal with the IMF under which the country would be requested to secure fresh financing from commercial creditors. He said a consortium of western banks active in the region had agreed to lend Romania \$150m-\$200m for two years.

Meanwhile, Bulgaria, which is in much better economic shape than Romania but is more exposed to the Kosovo crisis, is to ask the international community for \$300m in extra balance of payments support.

Muravey Radev, finance minister, is to put the request at a meeting with donors in Brussels today.

He said the money was required to help the country overcome disruption to

trade, investment and tourism.

Poland's industrial output, which fell in the first two months of this year, grew by 22 per cent in March compared with the previous month, according to the state statistical office, writes Chris Bobinski in Warsaw.

But economic growth is still expected to slow this year compared with 1998.

Hungary yesterday announced slightly dis-

appointing industrial output figures, writes Robert Wright in Budapest.

Gross industrial output grew by 5.3 per cent year-on-year during February, a fall from the 7.2 per cent growth in January.

Industrial production grew by 11.8 per cent for the whole of 1998, according to preliminary figures also released yesterday, against GDP growth for the whole economy of 5.1 per cent.

Swiss set to defend bank secrecy law

By William Hall in Zurich

Switzerland, which controls about a third of the world's private offshore banking market, is today expected to make a robust defence against pressure from the European Union to relax its bank secrecy law.

Pascal Couchepin, Switzerland's economy minister, will reaffirm his country's commitment to defend its bank secrecy law when he arrives in London today at the head of a Swiss banking delegation. Under this law, bankers can be jailed for disclosing information about their customers.

Mr Couchepin is expected to take a strong stand against attempts by the EU and the Organisation for Economic Co-operation and Development (OECD) to

force Switzerland to relax the law, which many observers believe is one of the main reasons for the country's success as a private banking centre.

Last year Mr Couchepin led the Swiss delegation that refused to join an OECD drive to stamp out tax havens and harmful tax competition.

"We have no feeling of guilt about bank secrecy. It protects individual freedoms. There is a tradition of discretion in this country and bank secrecy is part of the culture of individual treatment of bank customers," said Mr Couchepin.

"We absolutely agree that bank secrecy must not be used to protect criminal elements and money laundering. We have changed our rules to allow authorities to

pursue these activities. Collaboration is working very well with the US and other authorities," he said.

Mr Couchepin's visit to London marks the first attempt by Switzerland's traditionally secretive bankers to market the country's advantages as an offshore financial centre. It will be followed by visits to Madrid, Frankfurt and New York, and reflects the growing competition for business, especially in the area of private banking, where Switzerland traditionally excels.

The Swiss delegation, which includes Bruno Gehrig, Swiss National Bank director, and Georg Krayer, president of the Swiss Bankers Association, will highlight Switzerland's advantages such as its long tradition of political stability, strong currency, excellent technical infrastructure, and high quality banking services.

However, Swiss bankers are likely to be pressed for reassurance that Switzerland's bank secrecy laws have not been watering down to appease the growing pressure from the tax authorities of countries such as the US and Germany, which believe the line between criminal tax "evasion" and legal tax "avoidance" is blurred.

Switzerland, along with Liechtenstein, Andorra, Monaco and San Marino, is also under growing pressure from the EU to co-operate in stemming any capital flight resulting from the EU's controversial plan to harmonise tax legislation.

Under the EU proposal, which Switzerland is being encouraged to adopt, banks will levy a standard 20 per cent withholding tax on interest payments, or report interest payments made to EU residents to the respective tax authorities.

Switzerland already has a 35 per cent withholding tax, but it is not levied on non-residents. The EU tax would apply to all private EU residents.

"We are not convinced that it is economically rational to introduce this kind of tax on a European level when the rest of the world does not follow," said Mr Couchepin.

He stressed that Switzerland shares many of the same reservations as the UK, which is concerned the new tax will cause the international bond market to flee London.

Ecevit ex
coalition v

Euro forecast
to strengthen
in long term

Italy attempts to
manage reforms

مكتبة الامم المتحدة

Ecevit expected to form coalition with nationalists

By Leyla Boulton in Ankara

Bulent Ecevit, Turkey's caretaker prime minister, was yesterday expected to form a government with the Nationalist Action Party (MHP), the far-right group that secured the second largest share of the vote in Sunday's general elections.

Turkey's political landscape was redrawn after nationalism replaced Islam as the main form of protest against mainstream party leaders, who all lost votes with the exception of Mr Ecevit. Virtue, the Islamist party, was demoted from largest to third largest party in parliament.

Financial markets and foreign governments, meanwhile, tried to work out whether a combination of Mr Ecevit's Democratic Left and the MHP would hamper economic reform and further damage Turkey's strained relationship with the European Union. The Turkish stock market opened 5.76 per cent lower yesterday.

One European diplomat noted that Mr Ecevit was already enough of a nationalist for the MHP's arrival to

"not make much difference" to already poor relations with the EU.

Bahadir Kalesgasi, Brussels representative of Tuiad, the Turkish business confederation, said the EU should take a more strategic view after having humiliated Turkey by ranking its membership application beneath that of newer eastern European applicants, and mishandling Turkish feelings about Abdullah Ocalan, the PKK guerrilla leader.

Advocates of human rights and an improved political dialogue with moderate Kurds to end the guerrilla war in Turkey's mainly Kurdish south-east focused criticism on the likely new government.

"The number two party is a fascist party and the number one party has nothing in common with the left except its name," said Husein Onduz, general secretary of the Human Rights Association. "An unlucky period is beginning for Turkey as both parties have tough but unrealistic solutions for the Kurdish issue," said Nazif Kalkan, deputy chairman of the Mass Democratic party,

a moderate Kurdish party.

Mr Ecevit saw his share of the vote jump to 31 per cent from 14 per cent, gaining support as a result of the capture and return to Turkey of Mr Ocalan, who is awaiting trial on treason charges. Pressure to carry out a death sentence if he is convicted is likely to increase as the MHP sees its main duty to "fight against terrorism... the biggest threat to our citizens' security, national unity, democracy and economic progress".

But the party, born in the 1960s as an anti-Communist, pan-Turkish group, says it is no longer fair to call it "extremist" or "fascist" because it has purged itself of extreme nationalists involved in political violence against leftists and Kurds. "We are fighting for our integration with the world together with our traditions and our culture, like the Japanese," said Salt G6, an MHP deputy for Konya, Turkey's most religious city.

Under Devlet Bahceli, its leader for the past two years, the party has recruited what one new party member's

wife called "nicer people", such as town planners and environmentalists. With all parties agreeing on the need to cut Turkey's double-digit inflation, the MHP has toned down its rhetoric to concentrate on a reformist economic programme. On privatisation, suspended because of corruption allegations against the previous coalition, the MHP says it will first reorganise regulation to make self-offs more transparent. It promises to sell most state-owned enterprises, including two banks.

However, Dogu Ergil, an independent liberal, said the MHP's reformist pledges would be limited by the need to distribute favours to its supporters.

Some analysts argued that the MHP's success had less to do with foreign policy or economic reform than with a protest vote against squabbling and ineffectual politicians. "The electorate above all wants to make ends meet and to see law and order, and they don't really care how this is achieved," said Metin Heper, a political scientist at Bilkent University in Ankara.

Urgency behind drive for jobs



By Tony Barber in Frankfurt

Policymakers at the European Central Bank never tire of advocating structural economic reforms as the most effective way to create jobs and revive the euro-zone economy.

What is less often discussed is why the ECB has a direct self-interest as an institution in urging governments to introduce such reforms.

An insight into this deeper layer of ECB thinking was provided last week by one of the bank's six executive board members, Tommaso Padoa-Schioppa of Italy.

Speaking one week after the ECB cut its main interest rate by half a percentage point to 3.5 per cent, he noted widespread agreement among economists that "perverse incentives, direct and indirect taxation of labour,

Economic indicators for euro-11 countries										
	Feb 1999	Jan 99	Dec 1998	Nov 98	Oct 98	Sep 98	1998	1997		
Inflation (annual % change)	0.8	0.8	0.8	0.8	0.9	1.0	1.1	1.6		
Unemployment (%)	10.5	10.6	10.7	10.8	10.9	10.9	10.9	11.8		
Trade (Ecu bn)										
Exports	n.a.	n.a.	64.5	65.1	66.4	65.5	750.8	762.4		
Imports	n.a.	n.a.	57.4	58.9	61.5	61.4	707.7	674.0		
Trade balance	n.a.	n.a.	7.2	7.2	6.7	6.7	83.2	88.4		
Current account (Ecu bn)	Q3 1998	Q2 98	Q1 98	Q4 97	Q3 97					
Current account balance	21.8	25.0	12.4	28.6	28.0					
As % of GDP	1.5	1.7	0.9	2.0	1.9					
Industrial production (%)	Nov-Jan/ Aug-Oct	Oct-Dec/ Jul-Sep	Sep-Nov/ Jul-Aug	Aug-Oct/ May-Jul						
Industrial production (%)	-0.4	-0.3	-0.2	-0.1						
GDP growth (%)	Q4 1998	Q3 1998	Q2 98	Q1 98	1998	1997				
Over same quarter last year	2.4	2.9	3.0	3.5	3.0	2.5				
Money supply	Feb 1999	Jan 1999	Dec 1998	Nov 1998	Oct 98	Sep 98				
M3 Annual growth rate (%)	5.2	5.6	4.5	4.5	4.5	4.4				

unustainable pension schemes, overly tight employment rules and rigidities throughout the economy are the main obstacles to the creation of new jobs".

However, he added that it was not easy to reduce unemployment quickly by means of structural reforms. Even the Netherlands and the UK, where such reforms have gone further than in, say, Germany and Italy, policies started in the 1980s did not translate into sustained lower unemployment until the 1990s.

Thus, even if Germany, Italy and other euro-zone governments take action this year to free up labour and product markets and introduce more attractive tax incentives to business, euro-zone unemployment may not fall far below its current 10.5 per cent level for some years.

Here lies the threat to the ECB. Most European governments and societies accepted the need for long-term price stability, and an independent central bank to guarantee it, only after witnessing the corrosive effects of inflation in the 1970s and 1980s. That is why they established the ECB as possibly the world's most independent central bank, whose primary task is to suppress inflation.

But what would happen if euro-zone unemployment were to remain stubbornly high at, say, 10 per cent for the next five years? Would the anti-inflationary consensus among governments and societies survive, or would it give way, as among partly reformed addicts, to an uncontrollable yearning for an inflationary fix? And how might that affect the ECB's role?

One possible answer, though Mr Padoa-Schioppa skirted it, is that the ECB's identity as an independent, inflation-busting institution would be seriously undermined. Its prestige would be diminished, its future purpose uncertain.

Hence the urgency behind the repeated calls by ECB board members since April 8 for rapid structural reforms. For the ECB, it is close to a matter of life or death.

Euro forecast to strengthen in long term

By Peter Norman in Brussels

Wim Duisenberg, president of the European Central Bank, yesterday shrugged off alarm about the euro's decline on foreign exchange markets since its January launch and predicted that "in the longer term" the single currency would strengthen rather than weaken.

Answering questions from the European Parliament's monetary affairs sub-committee, Mr Duisenberg stressed that the ECB had no exchange rate target, no exchange rate regime "and not even a figure in the back of the mind that would cause us to be concerned" about the euro.

The ECB would have a problem only if the euro exchange rate moved to the extent of having "a significant upward impact on the rate of inflation," he said.

However, expectations of consumer price inflation in the 11-nation euro-zone this year had declined from 1.5 per cent at the beginning of 1998 to around 1.1 per cent.

Mr Duisenberg's lack of concern about the euro's slide from an early January peak of around \$1.20 to \$1.061 when the market in London closed yesterday showed how the creation of a large-scale single currency area has changed the rules of monetary manage-

ment in the European Union.

He reassured worried MEPs that the impact of exchange rate changes on the large, euro-area single market was far less than on individual EU countries previously.

Some of the euro's recent weakness and volatility reflected the crisis in Kosovo, while its decline against the British pound reflected higher UK interest rates.

Mr Duisenberg also pointed out that currencies making up the euro had only started to strengthen late last year and it was "a laugh" to speak of it hitting "historic" lows just weeks after its launch.

Even after recent declines, the euro was valued at the level of the "synthetic euro" between April and July last year.

Looking ahead, Mr Duisenberg said three factors should help the euro to strengthen.

These were the large US balance of payments deficit, a gradual diversification of public and private investments to the euro, and the prospect that US growth would slow at some point.

Mr Duisenberg said he hoped the US economy would experience a "soft landing" and the euro's rise would "not be too fast".

The ECB's exchange rate policy was neither "benign nor malign neglect" but "for the time being there is neglect," he said.

Italy attempts to salvage reforms

By James Blitz in Rome

Italy's leading politicians were yesterday trying to salvage the country's drive for political and institutional reform after a referendum on Sunday failed to end proportional representation.

In a setback for attempts to give future Italian governments more stability, the referendum failed by a narrow margin to achieve the quorum required for the poll to be valid.

More than 20m Italians took part in Sunday's referendum, some 49.6 per cent of the total number qualified to vote. However, more than 50 per cent was required for the result to be valid.

Of those that voted, around 90 per cent said they were in favour of the remaining element of proportional representation being scrapped and Italy moving towards a UK-style first-past-the-post system.

The referendum was seen as a unique opportunity for the public to push through the reform process by popular vote, shifting Italy away from its legacy of 50 governments in more than half a century. Romano Prodi, the president-delegate of the European reformers who chanted that Italy had failed to make a landmark

change to its electoral system by around 150,000 votes.

"A page has not been turned but there were millions and millions and millions that wanted change," he said in his home town of Bologna. "That isn't just nothing."

Massimo D'Alema, Italy's prime minister, committed his government to carry forward reforms that would create a bipolar system. But Massimo Cacciari, the mayor of Venice, was typical of reform-minded politicians in describing the referendum's outcome as a "hard and heavy heart-attack".

Under Italy's electoral law, some 75 per cent of seats to the chamber of deputies are elected on a first-past-the-post basis. The remaining 25 per cent are chosen by proportional representation.

Political reformers have long argued that the retention of proportional representation allows many small parties to gain seats in parliament where their machines frequently bring down governments. But these small parties - such as the Communists, Greens and moderate Christian Democrats - have long been important pillars of governing coalitions, and any government that seeks to reform the system has faced difficulties.



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WORLD TRADE

EU 'needs 8 months' to end banana crisis

By Frances Williams in Geneva

The European Union said yesterday it would consult trading partners on reforming its controversial banana import regime but it might take until next January to find a solution.

The move came as the World Trade Organisation formally authorised the US to impose \$191.4m in trade sanctions on European Union goods as retaliation for the EU's failure to make its banana regime consistent with global trade rules.

WTO members were obliged to give the US approval for punitive tariffs following a ruling by a WTO panel that the EU's amended banana import arrangements introduced on January 1 did not comply with earlier WTO judgments.

Rita Hayes, US ambassador to the WTO, said after the meeting of the WTO's dispute settlement body that retaliation was a last resort intended to push the EU to negotiate a WTO-consistent agreement.

The US was prepared to

lift the sanctions - which apply to nine products including lithographs, batteries and bath preparations from the UK, handbags from France and Italy, and coffee and tea-makers from Germany - as soon as a solution was found.

Rod Abbott, EU ambassador to the WTO, said yesterday that the EU accepted the thrust of the panel report and intended to consult trading partners on an acceptable banana regime.

However, he warned that it would be very difficult to find a solution that satisfied all the competing interests - the US and its five Latin American co-complainants, other Latin American banana producers, and the African, Caribbean and Pacific countries that are entitled to special preferences under the EU's Lomé Convention.

There could also be procedural delays due to this summer's elections for the European Parliament and the formation of a new European Commission, said Mr Abbott, adding that the

hope would be to have a system in place by January.

Brussels has not formally decided whether to appeal against the panel report but, according to EU sources, 12 of the 15 member states are opposed, with only France, Spain and Portugal in favour. Mr Abbott said any appeal would be confined to technical legal questions and would not challenge the panel's central finding.

The EU is, however, planning to contest the US imposition of sanctions from March 3, when provisional measures were imposed requiring importers to post bonds to cover the 100 per cent duties. The EU has already brought a WTO complaint against the March 3 measures, which could go to a panel if consultations this week do not resolve the dispute.

Yesterday's WTO authorisation for sanctions was the second in the 51-year history of the WTO and its predecessor, GATT. In 1982 the Netherlands was allowed to impose quotas on imports of US wheat flour.

Germans catching up on UK biotechnology groups

By David Pilling

Pharmaceuticals Correspondent

Germany is threatening to overtake the UK as the European country with the highest number of biotechnology companies, as its push to kick-start the sector with government funds begins to pay dividends.

According to a report by Ernst & Young released today to coincide with the annual European Life Sciences conference in Amsterdam, Germany has 225 biotech companies, against 270 in the UK. Five years ago, Germany had almost no life science start-ups at all.

France, traditionally Europe's second centre for biotechnology, is a distant third with 150 companies. Behind it come Israel, Sweden, Switzerland and the Netherlands.

The rise of the sector in Germany has so concerned the UK government that last week it set up a team of academics and entrepreneurs to find ways of protecting Britain's narrowing lead.

Last year, the Department

Number of German biotech companies	
1993	73
1994	75
1995	80
1996	101
1997	175
1998	222

Source: Ernst & Young, BioCentury

of Trade and Industry sent an expert mission to Germany. Its report concluded that Bonn's aim of becoming Europe's biotechnology leader had matured from "an act of political bravado" to being "a good deal more plausible".

The catalyst in Germany has come from the Bioregio initiative, which allocated federal funding, and encouraged states to provide matching funds and soft loans to start-up companies.

Venture capitalists are often able to triple or even quadruple their initial investment by applying for official funds.

In the UK, the government has been reluctant to help

companies with direct grants, though it is currently examining a series of measures, such as tax breaks, aimed at encouraging the sector.

Backing from Bonn appears to have changed public attitudes in Germany. When Morphosys was founded in the mid-1990s, the Munich-based company picked a name without the word "gene" in it, so as not to prompt controversy.

Now, opinion polls show the public strongly supports biotech companies in the field of human health, seeing them as generators of well paid jobs and potential medical breakthroughs.

As a result, several prominent scientists from the Max Planck Institute and other universities have emulated their US colleagues by spinning out their research into companies.

Some, such as Patrick Baurer, a leading academic entrepreneur who recently joined Micromet, based in Munich, have returned from the west coast of America to become involved

in home-grown companies. "The industry is reaching a critical mass in Germany," says Robert Zegelaar, a partner at Atlas Venture, a strong backer of biotechnology in Europe.

But in some ways, Germany remains a distant second to the UK. Last month, Morphosys became the first biotech company to go public after a successful Neuer Markt listing. The UK has about 40 public biotech companies.

Moreover, two British companies, Chiroscience and Vanguard, have received regulatory approval for their products, a local anaesthetic and a migraine pill respectively.

The most advanced German company is years away from that important landmark.

UK investor confidence has been so shaken by a series of scandals and misdeeds that even news of the first product approvals has failed to wake things up. Several companies saw their share price drop by three-quarters last year.

Latin American deal for Airbus

By Michael Skipinker, Aerospace Correspondent

Airbus Industrie, the European consortium, announced a further success in Latin America yesterday with the sale of 12 long-haul aircraft to Aerolineas Argentinas.

The Argentine carrier ordered 12 A340 aircraft, making it the first Latin American airline to buy four-engined long-haul aircraft from Airbus. Airbus would not disclose the value of the sale but the list price of the 12 aircraft is about \$1.5bn.

The order follows the decision last year by LanChile, the Chilean flag carrier, Tim of Brazil and Taca, a group of five Central American airlines, to buy up to 179 narrow-bodied short-haul Airbus aircraft. Latin America had long been seen as the preserve of Boeing, Airbus's US rival.

Aerolineas Argentinas is buying six of Airbus's newly launched 300-seat A340-600 aircraft to replace its Boeing 747s. The remaining aircraft will be smaller A340-300s and A340-300s, which will start entering service this summer.

The airline said it planned to use the aircraft on services from Buenos Aires to Auckland, Sydney, Paris and Rome. David Cuth, Aerolineas Argentinas's chief operating officer, said: "The three different versions of the A340 provide us with the flexibility we need to meet varying demand on our ultra-long-haul routes. The A340-600 will provide us with the high capacity that we need to replace our Boeing 747 fleet."

The A340-600 competes with smaller versions of the 747 and with the twin-engined 777, Boeing's newest aircraft. Although the 777 has been well-received by airlines, Airbus has argued that many carriers and passengers prefer four-engined aircraft for long journeys.

JOINING THE WTO WITH ENTRY FOR CHINA INCREASINGLY LIKELY THIS YEAR, TAIPEI'S HOPES OF ACCESSION TO THE WORLD TRADE BODY ARE RISING

Taiwan waits patiently in line behind China

By Mure Dickie in Taipei

The biggest obstacle to Taiwan's entry to the World Trade Organisation is a minor dispute over tariffs on certain cuts of Canadian beef and pork - and the objections of a political rival that is not even a member of the global trade club.

China's insistence that it be allowed to join the WTO ahead of what it considers a wayward province means the recent stalling of Sino-US efforts to strike a deal on Beijing's entry has cast new doubt on Taiwan's decade-long accession effort.

Hopes remain that, despite the disappointments of Chinese Premier Zhu Rongji's visit to the US last week, China will secure a place in

the WTO this year. But even if those hopes fade further, Beijing's widespread support among WTO members gives Taiwan little choice but to continue cutting tariffs, quietly canvassing for international support and hoping for the best.

"The politics of entry are beyond the control of the Taiwanese government," says Daniel Liu, head of the international division at Taiwan's Chung-Hua Institution for Economic Research. "We have to wait for China."

Taiwan has already done much of the hard work of trade liberalisation. All but two of the 26 WTO members who requested bilateral negotiations on the terms of its entry have reached agreement. Canada is holding out

Issue of telephone licences will boost liberalisation

Taiwan will issue new operating licences for fixed line and wireless telephone systems by the end of this year as part of market liberalisation measures agreed by WTO members. Opening the island's telecom market is viewed as

a prelude to membership. The Directorate General of Telecommunications has placed no limit on the number of licences it will initially issue but will not issue any more until 2004 to allow the first group of licence holders

time to get established. Analysts expect the land-based telecommunications segment, dominated by the government-owned Chung Hwa Telecom, to generate more interest than the low-tier wireless telephone sector.

over pre-accession favours Taiwan granted to the US for certain meat imports, but the sums involved are relatively small and a resolution appears likely.

The other hold-out is Hong Kong, which initiated a bilateral agreement with Taipei in 1997 and had resolved all queries on it by

late 1998. Hong Kong trade officials decline to explain why they have no plans to sign the agreement soon - but they dismiss suggestions Beijing is involved, saying the former British colony has the final say in its dealings with WTO applicants.

Even without Hong Kong as a block, Taipei is poorly

placed to overcome Chinese opposition to its WTO entry, which must be approved by a consensus of members or by a two-thirds majority. Pressure from China has made Taiwan, Beijing's bitter rival since defeated Nationalist forces fled there in 1949, a virtual diplomatic pariah.

Exclusion from international organisations or membership under names that deny any national identity - Taipei is applying to the WTO as a customs territory - has not stopped Taiwan becoming the world's 14th largest trading power. It has, however, left the island of 21m people with much less clout than its powerful economy would otherwise allow it to command.

The idea that Beijing, as the legitimate government of all China, must have precedence was raised at the WTO's predecessor body, the General Agreement on Tariffs and Trade, in 1992. While some members voiced opposition, that position has since been widely accepted as an "understanding" in the

cloudy world of trade diplomacy.

Taiwanese leaders from President Lee Teng-hui downwards try to counter that understanding by calling for all applications to be considered on their own merits. It is a position echoed by Washington, but there appears little chance the US will further test its rocky relations with Beijing by championing Taiwan's trade cause.

A more conciliatory approach may be reflected in recent suggestions by Taiwan that its WTO campaign could include a relaxation of the tight restrictions on trade with the mainland - a policy Beijing would welcome.

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US group shies from Games deal

By Patrick Harverson in London

The Olympic corruption scandal has claimed its first sponsorship victim after Johnson & Johnson confirmed it had abandoned plans for a \$20m sponsorship deal with the 2002 Winter Olympics in Salt Lake City.

The New Jersey-based healthcare products group said it was not proceeding with the sponsorship partly because of allegations that Salt Lake City officials bribed members of the International Olympic Committee during the city's successful bid to host the games.

John McKeegan, a Johnson & Johnson spokesman, said while an internal disagreement about how to market the group's different brands during the Olympics was the main reason for not taking up the sponsorship, the corruption scandal also played a part in the decision.

"It was always going to be in the back of people's minds," he said.

Johnson & Johnson is the first company to admit the scandal contributed to its withdrawal from the Olympics. The group has been involved with the Games for several decades as a provider of products to US athletes, but had planned to step up its involvement and become a main sponsor of the US Olympic Committee (USOC).

The USOC and the Salt Lake Organising Committee (SLOC) still need to raise from sponsors about \$300m in cash, goods and services to meet the \$1.45bn cost of putting on the games.

Although US officials have admitted that some sponsors have been cautious about agreeing sponsorship deals because of the scandal, they remain confident about their ability to raise all the money

needed for the event.

Mark Lewis, vice president of marketing at the SLOC, said yesterday: "We are in negotiation with about 25 companies and have found they are still very receptive to pursuing sponsorships."

He said the Olympic organisers hoped to announce several new sponsors soon.

The scandal broke late last year when a senior IOC official claimed several IOC members had received money, gifts and other inducements to support Salt Lake City's bid for the 2002

'It was always going to be in the back of people's minds'

games. Investigations revealed the city's bid committee had offered \$1.2m in cash, scholarships and other gifts to IOC members.

The findings led to the departure of several officials from the Salt Lake City organising committee, and the resignation or expulsion of 10 IOC members. Also, the IOC was forced to change its bidding procedures and initiate other internal reforms.

Despite damage done to the Olympic movement by the bribery scandal, none of the 11 multinational corporations, which each pay the IOC about \$50m for the main worldwide Olympic sponsorship rights, has pulled out of backing the Games.

However, at least one sponsor, John Hancock, US financial services group, has suspended plans to acquire Olympics-related advertising time on US network TV because of the bad publicity.

SOUTHERN CRUSADE APPEAL FOR RACES TO UNITE

Jackson trawls south to catch black vote

By Betty Liu in Waveland, Mississippi

On a cool morning yesterday about 30 residents, mostly black but some white, of the Mississippi town of Waveland trickled in through the creaky screen doors and grabbed a muffin or two as the reverend Jesse Jackson began his Southern Crusade speech.

A few moments later the enduringly influential Mr Jackson, hair a bit greyed but frame still sturdy, quietly implored the listeners to vote and fight for better healthcare, education, and a basic standard of living. Though the atmosphere was subdued, the message was the same: blacks and whites must unite to ensure economic security. And they must vote for the same leaders who will give that assurance.

Although Mr Jackson is spreading the message of economic unity and better welfare, the point of his tour

is to encourage blacks to register and then vote Democrat. At the last congressional elections, in November, the Democrats succeeded in halting the Republican sweep of the South and reclaimed some of their old stamping grounds. Now the black vote is seen as central to the outcome of the next presidential election.

George W. Bush, the Texas governor and frontrunner for the Republican presidential nomination, has made a point of embracing black voters. His brother, Jeb, the governor of Florida, has done the same.

Mr Jackson's brief interlude in Waveland was a break in what has so far been a highly charged week-long crusade through backwater towns. Mississippi has the highest infant mortality rate in the country and the median income is a third less than the national average. Racial divides often run too far and too deep for political unity.

"Thirty years ago the South was so intensely divided on issues [of race]... and the right to vote that it couldn't address the economic issues of a unifying workforce," he says.

For him, the people gathering at his pit-stops - mostly in black churches - represent a new majority. He believes a unity of blacks and whites is forming against economic injustice - a majority that, in time, threatens to muffle the politics of an older South built primarily on racial fears.

He has, though, conspicuously stayed on to sunny ground. Despite the friendly handshakes and compliments on Sunday morning at the Galloway United Methodist Church in Jackson, local newspapers reported that some members of the congregation were upset that Mr Jackson was using the pulpit to preach politics.

The former presidential candidate says his Southern Crusade is solely about



Jesse Jackson: Influential campaigner implored his listeners to vote

Reuters

shared economic security and racial healing.

A senior member of his entourage says Ronnie Musgrove, Mississippi's lieutenant governor and Democratic candidate for the governorship, tried to stop the tour. Only when he realised striking steelworkers strongly backed Mr Jackson did Mr Musgrove then embrace, politically and

physically, Mr Jackson's arrival in Natchez - the highest-ranking state official to do so thus far.

At the all-black New Hope Baptist Church in Jackson, one of the first stops on the crusade, there were a series of colourful paper circles taped to a hallway wall, arranged so that the circles formed the body of a caterpillar. Beneath a heading

"Developing Good Characteristics", children's names were scribbled on the circles personifying what each one wanted. For Brad, peace; Adora, truthfulness; Kenneth, virtue; and Tyesha, friendliness.

They may be too young to vote, but the children listed qualities that many Americans seem to think are lacking in their politicians.

Colombia to renew talks with guerrillas today

By Adam Thomson in Bogotá

The Colombian government will renew talks with left-wing guerrilla leaders today in what may prove the last realistic chance of hammering out a specific agenda to end 35 years of fighting.

The meeting with leaders of the Revolutionary Armed

Forces of Colombia (Farc), the country's largest rebel group, ends a two-month deadlock after guerrillas unilaterally postponed the talks late in January.

On that occasion, Farc leaders decided to "freeze" the peace process until the government had shown "satisfactory results" in combating rightwing paramilitary

groups which have mushroomed recently in response to the guerrillas.

There is little optimism the two sides will make much progress, despite the rebels' return to the table and government determination to agree on an agenda which will allow talks to begin in earnest.

Ending the conflict - esti-

imated to have cost thousands of lives and more than two percentage points of gross domestic product growth a year - has become the main concern for President Andrés Pastrana's administration since it came to power last August.

In an unprecedented concession to the Farc last November, the government

withdrew all its military presence from five municipalities - an area larger than Switzerland - so that talks could go ahead.

In contrast, the Farc, which numbers 12,000-15,000 and is now stronger than at any previous time in its 35-year history, has made no concessions.

Since talks officially

started on January 7, the rebels have made no mention of a ceasefire during the peace process or of laying down their weapons in the event of a peace accord.

With just over two weeks before demilitarisation of the municipalities ends, analysts say the guerrillas will be pressing the government hard for an extension.

E-mails to target party activists

By Roger Taylor in San Francisco

Candidates in the race to win the nominations for next year's US presidential election are being offered a service that will allow them to target e-mail advertisements directly at registered Democrats and Republicans.

Aristotle Publishing, which specialises in providing internet services to political organisations, is working with leading internet service providers to match names and addresses of users with state lists of registered Democrats and Republicans. The result will be a database that allows messages to be sent only to people with one party affiliation or the other.

Being able to target these people is especially useful as they are often motivated by the more extreme political messages, which if broadcast generally could turn middle of the road voters against a candidate. "You want to get some red meat out there for the true believers," said John Phillips, Aristotle's president. His service allows candidates to do that without upsetting those with less strong stomachs.

Mr Phillips said that campaigners using the service would never have access to personal information about the people to whom they were advertising. However, the end result would be much the same, with political groups able to target registered voters of either party through a range of demographic indicators.

Mr Phillips said that in theory the service could allow advertisements to address each recipient by name. However, he added, no one wanted to do this for fear of frightening people off.

Aristotle is able to offer the service as it has created a database of all registered voters in the US. The service is particularly appealing to candidates in the early stages of a presidential campaign as registered party supporters have the greatest influence over the primaries.

Only about 30 per cent of voters are registered as supporters of one party or another, but these tend to be the most active politically and, in some states, are the only voters allowed to take part in primary elections.

Mr Phillips said he had already signed up a number of presidential campaigns for the service, although he would not disclose which. He added the internet was an ideal medium to reach registered voters as a high percentage of them were online.

Toronto hit by transport workers' strike

By Scott Morrison in Toronto

Striking workers shut down Toronto's public transport system yesterday, forcing about 800,000 commuters to find alternative means of getting to work.

Traffic on Toronto's streets was much heavier than normal during the morning rush hour but predictions of traffic chaos did not materialise. Bus and train users resorted to carpooling, taking taxis, cycling and walking to work.

Mike Harris, Ontario's premier, yesterday said he would recall the provincial legislature to legislate an end to the strike within a day or two. With a provincial election anticipated this spring, Mr Harris is widely expected to resolve the walk-out quickly.

The strike is the latest example of growing unrest within Canada's public sector, which for several years accepted tiny wage increases in exchange for job security. That enabled the country's federal and provincial governments to reduce their def-

icits quickly. But union militancy has increased as more governments announce their finances are in order.

Toronto's 7,800 subway conductors, bus drivers and support staff, who have received a 1 per cent pay increase for the last seven years, voted overwhelmingly at the weekend to reject the transit commission's final offer. The union was seeking a 3 per cent pay increase for each of the next three years, while the commission had offered 2 per cent a year.

The commission collects about 80 per cent of its revenues through fares, with the remaining 20 per cent coming from the city of Toronto. But the mayor's refusal to raise local taxes has meant the commission does not have the revenue to meet union demands.

Most retailers, who appeared to be operating normally yesterday, Canada's banks, headquartered in Toronto's central district, said they had implemented flexible work hours and were allowing some employees to work from home.

Taxpayers field \$5bn sports bill

By Henry Duane in Washington

The major league ball parks, stadiums and arenas to which Americans flock have cost US taxpayers more than \$5.2bn since 1989 and will cost at least another \$3bn in coming years, says a study released by the Washington-based Cato Institute.

The scramble for sports teams by US cities, marked by generous offers of taxpayer-financed stadiums and parks, benefits only players and team owners, who reap millions in TV revenues, the study says. In this century more than \$20bn has been spent on homes for baseball, football, basketball and hockey teams.

Before the Great Depression, stadiums were built with private funds. These included baseball's Yankee stadium in New York and

Wrigley Field in Chicago, and hockey's Maple Leaf Gardens in Toronto. Cleveland was the first city to give corporate welfare to baseball by financing a municipal stadium.

After that teams began to hop from city to city looking for the best deals.

The baseball Giants moved from New York to San Francisco where they were given use of a 40,000-50,000 seat stadium.

The \$32m facility was thought a failure because players were subject to cold winds blowing off San Francisco Bay.

Sports Park: The Costly Relationship Between Major League Sports and Government. Available at <http://www.cato.org/pubs/pas/pas38es.html> or from Cato Institute, 1000 Massachusetts Ave N.W., Washington, D.C. 20001

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INTERNATIONAL

Ratings agency warns of risks of credit growth

By Robert Chote, Economics Editor, in Washington

A growing number of the world's financial systems are weakening in the face of excessive credit growth and falling asset prices, according to an analysis by credit rating agency Standard & Poor's.

Credit quality is deteriorating in 24 of the 61 countries monitored regularly by

S&P, an increase of almost a third since its last report on financial system stress in October. Financial system strength is a key concern of international policymakers in the wake of the crises in Asia, Russia and Latin America over the last two years.

Brazil, Colombia, Ireland, Latvia, Norway, Oman, Romania, Turkey and the United Arab Emirates have

all been added to the list of weakening financial systems since last autumn. But Chile has been taken off the list because of a modest decline in domestic credit relative to gross domestic product.

The report said that visible signs of weakness were now evident in nine countries: China, Colombia, the Czech Republic, Hong Kong, Japan, Malaysia, the Philippines, Romania and the Slo-

vak Republic. Other apparently robust systems are also vulnerable, including Brazil, Greece, Turkey and the US.

"Some of these systems' fundamentals are so poor that half of their assets may become problematic, for others decline will be relatively mild," the report said.

Most of the financial systems identified by S&P are under pressure because

of unsustainable aggregate credit growth or are vulnerable because of a marked shift in their external position. Others show signs of worsening fundamentals or eroding franchise value because the government is crowding out private credit.

S&P looks at a number of leading indicators of financial stress, focusing on credit growth, corporate and household indebtedness,

asset-price inflation and external funding of financial institutions. But the indicators do not reflect other factors that can prompt a liquidity crisis, including rigid exchange rate regimes, high inflation, a history of confiscatory action on bank deposits or reliance on flows of capital that are sensitive to shifts in confidence.

Many countries have seen credit rise relative to the size

of their economy over recent years. In the US, credit as a share of GDP has risen from 94.7 per cent in 1983 to 129.7 per cent in 1998, while in Ireland the ratio has risen from 70.6 per cent to 102.7 per cent over the same period. But these totals are modest in comparison with Thailand and Malaysia, where credit stands at about 160 per cent of GDP.

Nigeria set to cut civil service

By William Walleis in Lagos

Nigeria's military government is preparing to sack tens of thousands of civil servants, a development likely to lead to a showdown with the unions before the handover to the elected government next month.

A senior government official said yesterday that ministries and state companies had been asked to draw up lists of "dead wood" employees to be dismissed by the end of the month.

In practice, he said this could lead to the firing of up to 20 per cent of the public work force, or tens of thousands of jobs losses.

By way of an example, he said that out of 800 employees at the national planning commission, 452 were listed for the sack.

The government has no precise idea of the size of the civil service but estimates of the numbers on the federal and state payrolls reach more than 1m.

Once known for its respect of procedure and for providing continuity during military shake-ups, Nigeria's civil service is now bloated, demoralised and in desperate need of reform.

Civil servants can barely live on their tiny salaries, and often survive on bribes related to their functions, or earnings from other jobs, or trading. Sani Abacha, the late dictator, began reducing numbers last February.

But his retrenchment programme was stalled when he died last June and Abdulsalam Abubakar took over.

Since then, the government has been heading for a clash with the unions after not implementing a promised salary increase of 300 per cent.

Government officials say that only by cutting the work force severely, will any salary rise be possible.

In several states, workers went on strike last week demanding payment of salary arrears and implementation of a revised minimum wage of Naira 3,000 (\$32) a month.

Soldiers have been drafted in to ensure continued supplies of water in some areas. Several states have threatened to cut back their workforces, most dramatically in the northern Kano state.

Here, the administration said it would sack 17,000 workers if they were not back at work by yesterday.

The official intention of the government is to resolve these disputes, and cut the workforce to a more manageable size by the time Olusegun Obasanjo, the president-elect, takes over on May 23.

But with only six weeks to go before the official handover, and industrial unrest growing, it seems likely that General Obasanjo will have to take on the unions early in his tenure.

The looming balance of payments crisis, and the depleted treasury he is likely to inherit, will leave him little room for manoeuvre in negotiations.

Change of heart on debt relief for poor countries

With present policies under fire even within the World Bank and the IMF, the world's rich nations are welcoming new proposals for lifting the burden of international debt, writes Robert Chote

Having spent ages insisting they were doing all they could to relieve the debt burdens of the world's poorest nations, the Group of Seven leading industrial countries have undergone a remarkable change of heart over the last three months. Spurred by a proposal from the new German government, they have been falling over each other to proclaim that debt relief should now be deeper, broader and faster.

This bidding war owes much to Jubilee 2000, an umbrella group of churches and other organisations that has used the approach of the millennium to campaign for debt cancellation. As a result, reform of the existing debt initiative for the 40 or so "highly indebted poor countries" (HIPC) will be high on the agenda at next week's spring meetings of the World Bank and International Monetary Fund.

The existing scheme was

launched in autumn 1996. Seven countries have so far qualified for relief worth \$3.1bn in net present value terms (i.e. if it were provided as a one-off payment). Uganda and Bolivia have already received their relief, with the other five - Burkina Faso, Guyana, Ivory Coast, Mozambique and Mali - due to get theirs between now and March 2001.

But a document discussed by the executive boards of the Bank and Fund last week concedes that the initiative is less helpful than it looks. "For the first seven countries to reach the decision point, estimated scheduled debt service payments after receiving HIPC assistance are not dramatically different from the actual debt service paid for the period prior to the decision point," it says.

Debt service payments are expected to decline noticeably in Guyana after the relief has been delivered, but

less elsewhere. Burkina Faso and Mali are actually expected to pay more. "In absolute terms the initiative may not be significantly reducing debt service from current levels paid," the document admits.

This is because many HIPCs are in arrears to other governments. So much of the relief will in effect be spent regularising relationships with creditors, rather than providing extra money to spend. The Bank and Fund point out that this will still prove valuable over time as economic reforms boost government revenues. But most outsiders believe the existing initiative offers too little, too late.

Five G7 countries have now put forward proposals to improve the initiative, with lobby group Oxfam International judging that Canada has the most impressive proposal to provide more relief, more quickly. Looking at the G7's, plus

those of other countries, multilateral organisations and lobby groups, several common themes emerge.

Debt relief should be deeper. The present initiative aims to reduce debt burdens to a "sustainable" level, defined as a debt-to-export ratio of about 200 per cent. But this figure was based on the experience of all developing countries, not just the poorest. A collapse in Uganda's export revenues, reflecting lower coffee prices, has prompted many observers to argue that the target should be lower.

A more fundamental critique argues that the initiative should focus on the extent to which debt servicing diverts government revenues from poverty alleviation measures. The existing initiative does provide a few countries with relief on fiscal grounds, but this was a political fix to ensure that Ivory Coast would benefit. Many observers would like fiscal considerations to take centre stage, accompanied by greater incentives to use the pro-

ceeds explicitly for poverty alleviation.

There is also pressure to shorten the six-year policy track record that countries have to establish to qualify for relief, although the US may be reluctant. Germany also wants any increase in generosity to be conditional on efficient tax collection and debt management in the recipient countries.

There is a consensus for reform, but how will it be paid for when not even the existing scheme is fully financed yet? The current initiative is predicted to cost about \$18bn in net present value terms, although less than \$10bn in the likely event that Liberia, Somalia and Sudan cannot qualify. Canada's proposal to lower the debt-to-export ratio, cut the length of the track record and broaden eligibility could add another \$16.8bn, to take one example.

There is now a consensus that some money should be provided by selling and reinvesting up to 10 per cent of the IMF's \$30bn gold reserves. The UK has also called for some of the Euro-

Poor countries debt initiative

As of March 1999

Country	Assistance at completion point (\$m)	Date assistance to be released
HIPC debt relief released:		
Uganda	347	Apr 1998
Bolivia	446	Sep 1998
Commitments of HIPC debt relief:		
Burkina Faso	115	Apr 2000
Guyana	223	Oct 1999
Cote d'Ivoire	345	Mar 2001
Mozambique	1,447	Mid 1999
Mali	120	Dec 1998
Sub-total	3,076	
Further commitments based on preliminary HIPC documents issued:		
Ghana-Bremer	500	
Ethiopia	636	
Mauritania	271	Spring 2002
Total	4,283	

* In net present value terms ** Finalisation of debt relief packages for Ethiopia and Ghana-Bremer has been put on hold due to internal conflict

Source: World Bank Group; HIPC documents; staff calculations

pean Union's aid budget to be diverted. But financing an expanded initiative would need more resources still, especially as the World Bank's finances are already stretched and those of several other multilateral development banks near breaking point.

Bigger donations from individual donor governments look unavoidable. Having raised expectations so enthusiastically over the last three months, other donors are now waiting with interest to see if the G7 is willing to put its money where its mouth is.

Gadaffi brokers 'Congo peace'

By Mark Hubbard in Cairo

Muammar Gadaffi, the Libyan leader, has brokered a peace agreement between the Ugandan and Congolese presidents, aimed at ending the nine-month war in the Democratic Republic of Congo, Libyan state media said. But the Congolese rebels said they were not party to the deal and it was meaningless without them.

Toweri Museveni, president of Uganda, and Laurent Kabila, his Congolese counterpart, signed an agreement in Libya on Sunday which is intended to bring a ceasefire, the deployment of an African peacekeeping force and the withdrawal of foreign troops from Congo.

The Congo war now involves troops from Zimbabwe, Angola, Namibia and Chad fighting alongside President Kabila's Congolese army, against Rwanda, Uganda and rebels of the Congolese Rally for Democracy. Neither Rwanda nor the RCD has signed the deal.

Nevertheless, Col Gadaffi's role marks a further step towards strengthening his ties with sub-Saharan African countries. Two months ago he announced a shift in Libyan foreign policy, away

from the Arab world and towards sub-Saharan Africa. The shift was regarded by regional analysts as having been rooted in the apparent reluctance of Arab leaders to support Libya in its conflict with the US and the UK over the Lockerbie bombing.

A decision in 1996 by African leaders to ignore an air embargo imposed on Libya by the UN was the catalyst for an agreement on the Lockerbie affair. The suspension of UN sanctions against Libya following its handover on April 6 of two men accused of planting the bomb, is expected to allow Col Gadaffi the opportunity to play a more active role in regional affairs.

But the extent of the Libyan leader's influence as a regional peacemaker in the Congo war will be determined by the response of the non-signatories to the deal.

Rwanda's backing of the RCD stems from its concern for the security of its western border with Congo. Uganda shares the same concern, but Mr Museveni's readiness to sign the deal has revealed the extent to which the conflict is now regarded as the source of insecurity for all Central Africa.

Machel tells of tragedy of Africa's child soldiers

By Victor Mallet in Maputo

More than 120,000 children, some as young as seven, are serving as soldiers in Africa's numerous wars, according to a report released yesterday at a conference in the Mozambican capital Maputo.

"We have to tell our governments and rebel groups that enough is enough," Grace Machel, children's rights campaigner, widow of the late Mozambican leader Samora Machel and now wife of Nelson Mandela, South African president, told the meeting. "If adults want to kill each other it's their responsibility, but we cannot accept children killing for us."

She commented bitterly on the recent spread of conflicts across a continent "boiling" with warfare. "It's as if we didn't have enough wars and still needed to start conflicts more bloody than the others." Mozambique, where thousands of children took part in a long civil war, is now at peace and struggling to rehabilitate the former soldiers into ordinary life.

The report, published by the multinational Coalition to Stop the Use of Child Sol-

diers, says the government armies of Angola, Burundi, Congo-Brazzaville, the Democratic Republic of Congo, Liberia, Rwanda, Sierra Leone, Sudan and Uganda are guilty of recruiting children "almost as a matter of course".

Rebel organisations also abduct children from schools and force them to join guerrilla armies as spies, helpers and front-line soldiers. Most child fighters are boys, but some are girls who are first used as "girlfriends" by adult troops.

Child soldiers are victims of cruelty and violence, but quickly become perpetrators as well, the report shows. In Algeria, for example, a woman described how some boys of about 12 who had helped massacre her fellow-villagers decapitated a 15-year-old girl and played "catch" with her head.

Africa is not the only continent with child soldiers - Asia and Latin America are also affected and there are thought to be about 300,000 soldiers worldwide below the age of 18 - but the problem in Africa has been exacerbated by the fragmentary nature of its civil wars, often involving several rival

groups, and the length of time for which the conflicts continue.

Olara Otunnu, special representative of the UN secretary-general responsible for children affected by armed conflict, said that, in long-running wars, adults soon became disillusioned and armies resorted to children to make up their numbers. Children were recruited for the most cynical of reasons: they are "easy to indoctrinate, easy to mould into a ruthless, unquestioning, efficient weapon of war".

As yesterday's report points out, child soldiers in Africa can often be seen manning roadside checkpoints while adult troops stand well back "so that if bullets start flying, it is the children who are the first victims".

Even if wars could not be prevented or stopped, Mr Otunnu said, there should still be limits to wartime behaviour.

"Even if the midst of the war in the Congo, there is no reason to engage young persons who are the future of that society, who are innocent and who should be in school," he said.

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BRITAIN

INSURANCE AGREEMENT BRINGS FUNDS THAT SUPPORT POLICIES TO \$1.2bn

Lloyd's in \$560m deal with top insurers

By Jim Kelly in London

Lloyd's of London said yesterday it had signed a five-year agreement with six of the world's top insurers to cover its central mutualised fund for £350m (\$563m) - increasing to £800m the resources that support the market's policies.

Max Taylor, chairman, said the participation of the insurers - each of which had to undertake extensive due diligence into the risk profile

of Lloyd's - was a "huge vote of confidence" in the market's prospects.

"It also increases our attractiveness to capital providers," he added, as it made it less likely the funds they pledged to the market would be needed. It should also reduce members' contributions more quickly than planned.

The insurers are Swiss Re, Employers Re, The St Paul Companies, Hannover Re, XL Mid Ocean Re and Chubb

Corp. The policy - effective between 1999 and 2003 - has an annual excess point of £100m, an annual limit of £350m and an aggregate maximum payment over a five-year period of £500m. The premiums are to be disclosed in annual accounts.

Mr Taylor said the agreement was part of the long-term strengthening of the market's security and was not related to specific trends in the insurance sector, which was experienc-

ing adverse conditions.

With the existing central fund of £175m and the ability to call upon up to £300m from members of Lloyd's, the cover takes the mutualised funds to \$1.3bn (£800m).

The announcement is also likely to be seen as a further strengthening of the mutual status of Lloyd's. Mr Taylor said the agreement was a way of leveraging the asset of the central fund. "It emphasises the commit-

ment to mutualisation," he said.

Lloyd's is unique among world insurance markets in that all underwriting members - both Names, the individuals who have traditionally supported the market, and the new corporate investors - support each other through the mutual central fund in case any one of them cannot meet a claim.

The design of the new cover was initiated by the risk unit at Lloyd's and Ben-

field Greig. The brokers were Benfield Greig and Aon.

The extent of the cover taken on by each of the six is confidential. It is understood the agreement is structured to make sure claims suffered by the six insurers could not have an adverse effect on the Lloyd's market.

The agreement provides further assurance for rating agencies. AM Best currently gives Lloyd's an A and Standard & Poor's an A-.

Today's techno-elite tread path first carved out in clay

Information technology has made millionaires of young entrepreneurs. But, Robert Chote asks, is it the centrepiece of a new industrial revolution?

There are 10 entrepreneurs in Britain who have amassed fortunes of more than £5m (\$8m) before their 30th birthdays, according to a recent survey. They typify the young "techno-elite". Eight made their money from the computer, telecoms and internet services industries. The other two are the producer and director of *Lock, Stock and Two Smoking Barrels*, the trendy low-budget gangster movie that was one of the most successful British films last year.

The sight of people making so much money at so tender an age could be construed as further evidence that Britain is in the midst of a new industrial revolution, comparable to that which transformed working lives and created fortunes in the 18th and 19th centuries.

Technological progress, notably in information technology and biotechnology, certainly appears to be moving at an incredible pace. It is creating business opportunities and encouraging innovation in other sectors from the delivery of medical advice and retailing, to the distribution of music.

But pervasive though these new areas are, do they really add up to an industrial revolution? Bradford de Long, of the University of California at Berkeley, points out that the current pace of technological advance is not without precedent. For the past 200 years, he maintains, there has always been some leading sector in which the pace of innovation has been extraordinarily rapid.

"The economy cycles through a number of leading sectors: textiles, transportation, construction, textiles again, watches and jewellery, telegraphs, construction again, telephones, transportation again, household utilities, household appliances, broadcasting, textiles and apparel, and medical care - all before the microelectronics revolution," he argues.

"It will continue to cycle through different leading sectors in the future, long after the pace of technological change in microelectronics has slowed down."

But he concedes that talk of a "new" economy may be justified because of the central role of information in

the goods and services that it produces. The familiar rules under which demand and supply determine prices work well in a market economy dominated by tangible goods but they are more difficult to apply when the production and distribution of information are more important.

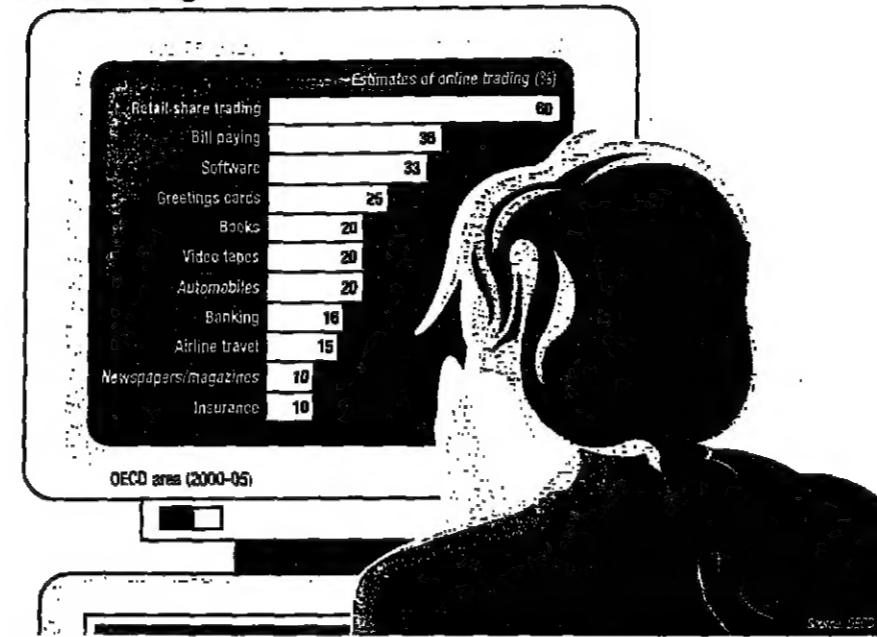
The growth of the internet has brought enormous entrepreneurial possibilities, although it remains to be seen if some of the fortunes it has generated for its commercial pioneers stand the test of time. The social impact, though, is indisputable.

The number of internet users in the UK is expected to almost treble to 17m by the end of 2000. This will have important distributional consequences. Patrick Foley, group economic adviser at Lloyd's Bank, has estimated that the pool of national income in the hands of the computer literate population will triple in the next decade, while technophobes will enjoy a rise of only 25 per cent.

"Whilst new technology will raise average living standards, it is also likely to result in an increasingly bipolar distribution of income," Mr Foley says.

This division between technophile and techno-

Online trading



phobe will manifest itself in the labour market. Business Strategies, the consultancy, expects demand to rise for "people who are highly skilled, who exploit knowledge and intelligence rather than physical strength or dexterity, who are mostly well paid and who have high chances of being in work as long as they wish".

For example, they expect the number of associate professionals - the "new skilled" such as legal executives and computer programmers - to have increased from 3.5m in 1996 to 2.9m by 2001. The number of people working in media, culture

and design should rise 5 per cent a year over the same period, almost twice as quickly as in the early 1990s.

However, there is evidence in a study from Manchester's Centre for Research on Innovation and Competition that small, innovative firms do not generate many jobs.

The potential for greater inequality has also been identified by Danny Quah, professor at the London School of Economics, who has pioneered the concept of the "weightless economy".

He says the importance of knowledge and information

in economic development is nothing new. "Economies have been knowledge-based at least since Sumerians in the Mesopotamian river basin began carving cuneiform financial records on to clay tablets 5,000 years back," he explains.

So in looking at the experience of individual people and firms in the "techno-elite", it is as well to remember that innovation takes place all the time. Economists and historians are still arguing about the first industrial revolution; we cannot expect to know the significance of today's for many years.

NEWS DIGEST

THE ECONOMY

Interest rate cuts fail to boost consumer confidence

Interest rate cuts and tax cuts offered in last month's national Budget failed to boost consumer confidence, according to a survey by GfK Great Britain on behalf of the European Commission. It found that consumer sentiment was unchanged this month compared with March and remains positive. But personal financial confidence fell despite interest rate cuts and a 1p cut in the basic rate of income tax announced in the Budget, which takes effect next year. However, consumers remain more optimistic about the state of their personal finances than they do about the state of the economy as a whole.

A majority of those expressing an opinion think the UK economy will worsen over the next 12 months.

But the number is getting smaller, with confidence in the general economic situation back at last summer's levels. Richard Adams, London

BMW

Land Rover plans rail link

BMW and its Land Rover division plan to invest £40m (\$64m) in a rail line linking its plant at Solihull, in the English Midlands, with the national rail network. It is claimed the scheme would save more than 100,000 heavy truck movements a year. It would also allow Land Rover to rail freight more than 100,000 vehicles a year for export directly to continental European markets via the Channel tunnel between England and France, or to Southampton, on the English south coast, for shipment to the US and other overseas markets.

Components would be brought by rail directly to the assembly lines from plants as distant as BMW's main engine production facilities in Bavaria.

The terminal facilities and the 4km line, intended to connect with the West Coast main line near Birmingham International station, will require formal approval from the Department of Environment, Transport and the Regions. The project is almost certain to involve a public inquiry. John Griffiths, London

LONDON BOMB

Responsibility claimed

A man claiming to represent Combat 18, a neo-Nazi organisation, yesterday said the group was responsible for planting the nail bomb in the London district of Brixton that injured 39 people on Saturday. Police said they had received a call, but added that there was "no intelligence at this time to support this claim".

Alan Fry, head of the London police anti-terrorist branch, said detectives were studying closed-circuit television footage taken at the site of the bomb. Combat 18 - which takes its name from the alphabetical order of Adolf Hitler's initials - was formed in 1992 when extreme rightwingers split from the British National party, saying its leadership was too weak. It is believed to have about 80 members and extensive links with football hooligan gangs, pro-British "loyalist" terror groups in Northern Ireland and other international far-right organisations.

Its slogan is "White Revolution is the Only Solution". Simon Buckley and Sathnam Sanghera, London

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BRITAIN

PEACE PROCESS PARTIES TO MEET AGAIN

London talks fail to lift Ireland arms deadlock

By Rosemary Bennett,
Political Correspondent

Five hours of talks between Northern Ireland's main political parties in London yesterday failed to achieve a breakthrough in the deadlock over disarmament by terrorist groups.

But all the parties did agree to attend a new round of negotiations next week and ruled out putting the peace process on hold until the autumn.

A spokesman for Tony Blair, the British prime minister, said: "All the parties agreed there was no question of 'parking' the process. Nobody is walking away from this process. Six months of delay would create a vacuum when what we need to happen is for the talks to continue."

No venue has been set for next week's talks, which could be held in London, Belfast or Dublin. They will again be chaired by Mr Blair

and Bertie Ahern, his Irish counterpart, who will talk to parties individually, not at round table negotiations.

After the talks, Mr Ahern urged both republicans and pro-British unionists to make concessions in the arms dispute.

"I don't expect either side to lose all but neither do I expect either side to win all. I am not asking either side to concede totally their position," he said.

David Trimble, leader of the Ulster Unionists and the province's first minister, said: "The Irish Republican Army to start handing in its weapons before Sinn Féin, its political wing, takes seats on the new power-sharing executive."

Sinn Féin says this is not a pre-condition set out in the Good Friday peace agreement and insists it is not in its power to deliver IRA decommissioning.

Sinn Féin said the peace process was in crisis. "We do



Martin McGuinness (left), Gerry Adams (right) and Mitchell McLaughlin, who said the process was in 'free fall', arrive at the talks. Reuters

remain convinced that problems remain. They have not been solved. Our view that the Good Friday agreement is in free fall remains," said Mitchell McLaughlin, its chairman.

Mr McLaughlin also described as "dead" a blueprint drawn up earlier this month by Mr Blair and Mr

Ahern, setting out a timetable for decommissioning and the establishment of the ruling executive.

The prime minister's office said that since the so-called Hillsborough declaration was the premier's best bet on a resolution, talk of it being dead or alive was irrelevant. "Those two issues in

the declaration remain and have to be faced up to. The sequencing and choreography have to be worked out," said an official.

The British and Irish governments are eager to keep up momentum in the process, especially as the difficult summer holidays season approaches.

Mr Trimble gave a more upbeat assessment of the talks when he emerged from the talks. "I am quite sure that the process is not in free fall and is not going to be in free fall. This process is much more robust than that. I don't think it is helpful to suggest that this process is close to collapse."

ELECTION CAMPAIGN LABOUR ATTACKS NATIONALISTS' PLAN

Scottish independence 'threatens 367,000 jobs'

By James Duxon, Scottish
Correspondent

Gordon Brown, the chancellor of the exchequer, yesterday attacked the Scottish National party's policy of independence, warning it would put 367,000 jobs in Scotland at risk.

He claimed that one-third of manufacturing jobs and one-fifth of all jobs in Scotland were linked to trade with England, which is Scotland's biggest trading partner. They would be in danger if the SNP negotiated independence after winning a majority in the Scottish parliamentary elections on May 6.

Donald Dewar, the Labour leader in Scotland, backed up the attack in a speech to the Scottish Trades Union Congress in Glasgow, telling its annual conference that the SNP had nothing to offer workers engaged in UK Min-

istry of Defence contracts at Yarrow, the Glasgow shipyard, Marconi, the defence electronics specialist in Edinburgh, the Rosyth naval dockyard and the British army personnel office in Glasgow.

He said independence would create a black hole in Scotland's finances because revenues would fall short of expenditure and the deficit could only be filled by higher taxes.

Labour believes attacks on the SNP's policy of independence are a profitable tactic, but Mr Brown's speech was ridiculed as economic nonsense by the SNP. John Swinney, the deputy leader, said Mr Brown seemed to think it was impossible for one country to trade with another, even within the European single market.

The only jobs threatened by Scottish independence was Mr Brown's own job as

a Scottish MP in London and his ambition to be prime minister, he said.

Mr Dewar also used his speech to reassure trade unionists about Labour's use of public-private partnerships in paying for big capital projects in Scotland. He said an agreement between the unions and the local health authority on protecting jobs under the private finance initiative at the Law and Haremyres hospital project could be a model for other agreements in PFI schemes. The PFI aims to attract private cash to public sector infrastructure projects.

Labour hopes it has averted a day of damaging criticism of the PFI in a debate at the STUC conference tomorrow, after Mr Brown persuaded the STUC over the weekend to dilute its opposition to PFI in a conciliatory resolution.

KOSOVO BLAIR'S PRESS CHIEF DISCUSSES STRATEGY IN BRUSSELS

Reinforcements sent to help Nato media war

By George Parker in London
and Neil Buckley in Brussels

The prime minister's office yesterday despatched reinforcements to Nato headquarters in Brussels, to help the alliance improve its presentation of the war in Kosovo.

Alastair Campbell, Tony Blair's combative press secretary, spent the day discussing plans for an improved media strategy. Julian Braithwaite, a press officer from Mr Blair's office who has foreign affairs expertise, has been assigned to Nato for the foreseeable future. Other government media experts could follow.

Mr Campbell denied the initiative was directly related to Nato's fumbled handling of the bombing of a refugee convoy in Kosovo last week. But he admitted that Nato's hard-pressed media team, which is

designed for peacetime operations, needed strengthening.

Mr Campbell's arrival has not been greeted with universal enthusiasm by some of the 700 journalists camped out at Nato headquarters.

US journalists in particular have heard of his hard-nosed approach to news management in London and fear facts could be lost in a welter of "spin".

Nato spokesmen are thought to have been advised by Mr Campbell to arrive at each daily briefing with "a story", rather than simply delivering a factual account of events on the ground.

Britain seems to be at the forefront of the new offensive but media spokesmen from the US and other European Union countries are expected. Jamie Shea, the London-born chief Nato spokesman, has had to bear

a huge burden during the conflict and is at his desk from early in the morning until late at night.

His accessibility to journalists and frank speaking has won him many admirers but Mr Campbell clearly believes he needs back-up.

Mr Campbell said he had been asked to take an overview of Nato's media strategy "to look at ways of trying to co-ordinate, given you are talking about all of us being engaged in the same thing in different countries and different languages in different time zones".

Mr Campbell said he believed Mr Shea was doing a "brilliant job" but needed support.

The UK government is said to have been particularly concerned at the perception of disunity which arose from different capitals giving different accounts of the same events.

Party leader needs to tread carefully over Thatcher legacy

William Hague will mark the ex-premier's first poll win, but Conservative acceptance of her ideas is no longer universal. Robert Peston reports.

William Hague will tonight give a speech celebrating the 20th anniversary of Margaret Thatcher's speech-shaping national election victory of 1979. But since the Conservative party leader is ditching one plank of Thatcherite ideology after another, it could turn out to be a truncated eulogy.

While Mr Hague is singing her praises Peter Lilley, his deputy, will be a short walk away at London's exclusive Carlton Club - the temple of grand Conservatism - discreetly putting the boot in. He will attempt to distance

the party from the notion that "free-market principles" are applicable to education, the state health service and other pillars of the welfare state.

His speech will reflect Mr Lilley's personality, appearing both radical and ultra-orthodox at the same time. On one reading it is a bold repudiation of everything Baroness Thatcher held dear. On another, it is a simple reaffirmation of what the party has consistently practised in government but has recently been chary of admitting.

Mr Lilley will be giving the Rab Butler lecture, in

honour of the towering Conservative politician of the middle of the century who reconciled his party to the welfare state that Labour constructed.

The Conservative party's electoral successes from the 1980s until the advent of Lady Thatcher were built on its explicit acceptance that universal state education, the state health service and a comprehensive system of social security protection were valuable and irreversible achievements of the post-war Labour government. Indeed, a senior Conservative official said yesterday that spending on health and education had consistently risen faster under Conservative administrations than Labour.

But after Lady Thatcher's victory the rhetoric of the party moved away from the moral obligation of the strong to support the weak, or the healthy to help the sick, and towards an obsession with privatisation and the benign influence of markets.

Even Lady Thatcher balked at wholesale privatisation of health or education. But there were more than enough gurus arguing publicly that the inevitable next phases would be the handing of health provision through private insurance and the allocation of education places through vouchers that could be cashed in state or private schools.

The impression was created, as Mr Lilley said yes-

terday, that the party "did not believe in the welfare state".

Mr Hague has found from his national consultation of party sympathisers - and countless opinion polls - that the vast majority of British people are profoundly attached to state-funded health and education.

This unpopularity might be a price worth paying if the Conservatives could produce an efficient scheme to remodel the welfare state on private-sector lines. But Mr Lilley, in charge of the party's policy review, has concluded that such ideas may look compelling in theory but do not work in practice. So Alan Duncan, the health spokesman and old friend of

Mr Hague, has, for example, been told to ditch the idea of extending tax breaks to private insurance schemes.

But if market economics are no longer the panacea for the public sector, what will fill the void? The new Conservative mantra is the importance of handing power back to local authorities, school governing bodies and hospital trusts.

Or putting it another way, the Conservatives are now converts to decentralisation. It is perhaps a little unfortunate that the most ardent centralising premier of recent history was Lady Thatcher. Mr Hague will need all his wily powers of flattery when drafting tonight's encomium to her.

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MANAGEMENT & TECHNOLOGY



Change and continuity: The move to London will not make us do many things we were not going to do already. But it will add a focus and a timetable, says Ogilvie Thompson

David Ahmed

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INTERVIEW JULIAN OGILVIE THOMPSON

Chief with a mission to explain

Gillian O'Connor finds the head of South Africa's Anglo American mining group is courting friends and goodwill as he prepares for its listing on the London stock exchange

Julian Ogilvie Thompson arches his hands, which are remarkably large, and wags a finger at the tape recorder. "Now look. We are in a transition phase. We will just have to explain it to the market."

The chairman of Anglo American, in London to prepare for the South African mining group's stock exchange listing, is trying to express why its management does not conform to the template of a FTSE 100 company.

There is a lot to explain. Anglo American, the flagship of the Oppenheimer empire, has holdings in De Beers, the diamond mining company, and AngloGold, South Africa's biggest gold company, among many others.

Next month Anglo will absorb Minoxco, its offshore resources arm, as part of its switch of domicile and market listing to London.

The company was started

by Ernest Oppenheimer, whose hero was Cecil Rhodes, the freebooting, autocratic empire builder. His son Harry, reputed to be the image of his father but with more finesse, remains a grandfatherly figure in the background. Nicky Oppenheimer, Harry's son, is now chairman of De Beers.

Mr Ogilvie Thompson, who is not tied to the family by blood or marriage, will continue to combine the roles of chairman and chief executive after Anglo moves to London. And the cross shareholdings between Anglo and De Beers will remain for the foreseeable future.

"We believe it is right that the person who has driven the transition should continue to drive the group for the first few years," he says.

"So the chairman and chief executive will be the same. But we intend to separate the functions no later than 2002. Then we will have to see who is the right per-

son to be chief executive and who is the right person to be chairman with that chief executive."

It has often been said that Anglo is run like a family company. Will the new board, which includes some outside non-executive directors, mean changes in the decision-making process?

'We have never actually put anything to the vote in all the 42 years I have been here'

"It depends what you mean by 'run like a family company,'" says Mr Ogilvie Thompson. "It has not been run in the interests of the family shareholders alone, but in the interests of all shareholders."

"Ernest took the decisions himself. Harry probably put them to the executive committee. Now it tends to be more of a collective decision

but if the chairman pushes something, it tends to go through. We have never actually put anything to the vote in all the 42 years I have been here."

The fingers bridle at the thought of a vote. "The company has been run by people who tend to be friends or become friends. This is not necessarily a bad thing. We trust each other and help each other if we can."

"The world has changed and we are going to have to

Anglo will own about 30 per cent of De Beers; De Beers about 40 per cent of Anglo; and the Oppenheimer family almost 10 per cent of Anglo. The cross-holdings worry UK investors.

Mr Ogilvie Thompson takes what looks like an air-line ticket out of an inner pocket, tears it into neat pieces and deposits it in the ashtray.

"I cannot see the Anglo and De Beers stakes ever being untangled. Diamonds is a good area for a broadly based mining company such as Anglo. And De Beers has always needed a counterweight to its diamond side, to protect it when the cycle turns down."

Outsiders complain that the structure of the Oppenheimer empire is complex and opaque. Has this been choice or necessity? And is it going to change? "It is not that we like complexity. Some of it was imposed by politics: the rest grew out of how you finance things."

Mr Ogilvie Thompson then launches into a remarkably frank explanation of how the Oppenheimer empire used its web of companies to

expand internationally at a time when South African companies were pariahs.

"Harry used to say that the most important thing about De Beers was the thing we did not tell our shareholders about - the Russian diamond sales contract. If it had been published, the Russians would have broken it."

"There was a bit of a problem once, so we put the contract through a third party, so that each of us could honestly say that we did not have a contract."

The new Anglo promises to be a model of transparency. But what is appropriate for Anglo is not necessarily appropriate for De Beers. "De Beers is a trading business, not a production business. Why should we tell the market what's in our diamond stockpile? Do analysts expect a bank to disclose its trading book?"

The fingers arch patiently. The man who persuaded the new government of South Africa to allow its largest business to emigrate is certainly a reasonable explanation will win over the London stock market.



INFORMATION TECHNOLOGY BRIEFS

'Watermark' keeps track of video use

A system that "watermarks" video electronically and tracks its use has been launched by New York-based Medialink Worldwide. The system can provide digital video monitoring and real-time broadcast tracking to the international broadcasting, programme syndication and advertising industries. TeleTrax uses technology developed by Lucent, of the US, to stamp video footage invisibly and indelibly with a unique identifying code when it is produced, transmitted, duplicated or broadcast.

Receivers monitoring broadcast signals detect the code and relay information over the internet to Medialink's computer centre.

Medialink sends the results, plus information identifying each station that has broadcast or transmitted any portion of the encoded video and the date, time and duration of use, to clients via the internet.

As part of the service, Medialink plans to build a monitoring network to ensure all TeleTrax-encoded broadcasts are detected. www.medialink.com

Cheaper way to set up shop

Setting up an electronic shop on the web used to require the often expensive help of a specialist IT contractor or web design house. But a relatively cheap and easy alternative is available to small and medium-sized businesses in the latest version of Dextery's Actinic Catalog packaged software. Actinic Catalog 3, which costs £349 plus VAT in the UK, runs on a standard PC with a modem and internet

connection and requires a minimum 2Mb of hard disk space on the web host.

It provides a wide range of catalogue templates, supports online credit card processing systems including NetBanx, DataCash and WorldPay, and can be linked directly to an order-processing system.

Other features include the ability to calculate automatically delivery charges based on geography, weight and shipping method, "industrial-strength" encryption and the ability to run multiple catalogues from a single PC. www.actinic.co.uk

The truth about using a web site

A true measure of customers' experiences using an e-commerce site is the promise of Candie, the Santa Monica-based network integration and management software specialist. Candie claims its eBA ServiceMonitor will help companies identify where their web sites are failing and losing existing or potential customers.

The software is designed to enable online businesses to measure service levels and user activity and help them adjust the design and structure of their web sites. Candie's software provides web managers with hard measurements of "round trip" response times.

Users can be tracked across geographies, access carriers and topologies.

Reports include browsing time, the path taken to navigate the site, and a breakdown of response time by client, network, server and individual parts (objects) on the page. A software starter-pack costs £1,247 in the UK. www.candie.com

Paul Taylor



TIM JACKSON ON THE WEB

Crest of web retailing

An online retailer offering digital versatile discs, is heading for a Nasdaq listing which provides a snapshot of web retailing

As any surfer knows, you go faster in the water by riding a wave than by swimming against one.

This principle is true in business, too - but companies are likely to have the chance to ride two waves at once. A case in point is DVD Express, an online retailer based in Hollywood that filed papers with the Securities and Exchange Commission last week to go public on Nasdaq.

DVD Express is poised to benefit from the fast increase in internet-enabled home PCs, and the growing willingness of consumers to buy over the web. But the other wave the company is riding is an entirely new product.

Digital versatile discs (DVDs) look like standard compact discs but have far greater storage capacity. This means one DVD can store, for instance, a 135-minute movie with digital sound, dialogue in eight languages, and subtitles in 32 further languages. With players costing \$250 and better video quality, DVDs have a good chance of becoming the standard for distributing digital content.

Back in spring 1997, it required some vision to see this - for the new format had not been widely adopted, and few titles were available on DVD. But the good news was that no retailer had established a brand. So Michael Dubelko, a former Hollywood television executive, was entering a wide-open market when he launched a web site selling the new discs.

Two years later researchers say DVD video media sales will be \$661m this year, \$1.3bn next year

and \$2.9bn in 2001 - and installed DVD players will rise from 4.3m at the end of this year to 8m by the end of 2000.

Better still are the demographics: 47 per cent of DVD owners have online access, 58 per cent research purchases online, and 40 per cent of them shop online.

Visit dvdexpress.com, the company's web site, and you will find a store window modelled closely on Amazon.com. You can find titles by search or browsing. Behind the site sits a technology platform built by Pandesic, an e-commerce joint venture between Intel and Germany's SAP, and an 8,000 sq ft warehouse in Hollywood. More than 40 per cent of sales go outside the US.

Like Amazon, DVD Express aims to be comprehensive in its coverage. But while there are millions of books in

print, DVD Express's public filing indicates that there are still only around 2,600 DVD titles available - so the job is a little easier.

DVD Express is a little unusual for a web business. Mr Dubelko owns 84 per cent of the company's stock, with the rest owned by GeoCapital, a venture capital fund based in New York, and the normal range of stock options for employees, directors and marketing partners. A month or so from now, Mr Dubelko will probably be worth hundreds of millions of dollars - earned, perhaps, by his having funded the business, worked without salary for two years, guaranteed the company's \$3m credit line at Wells Fargo, and put in \$1.3m of his own money.

DVD Express's SEC registration statement, available at www.sec.gov, provides a snapshot of web retailing today. The

company's sales grew from \$800,000 in the last quarter of 1997 to \$3m a year later. Gross margins fell from 17.6 per cent to 10.8 per cent, even though Mr Dubelko's history allows the company to make a quarter of its cash purchases from studios directly instead of at distributors.

And marketing is a high and growing expense. In 1998, the company spent more than \$4m on marketing, of which \$3m went to AOL. Evidence of the power of having more than 15m users can be seen in the text of DVD Express's deal with AOL, filed with the SEC, which shows the Virginia-based online service owning warrants over 7 per cent of the company in addition to the cash revenues from the deal.

So, there are clearly high risks attached to the high rewards. Prominent among them is the danger of being "amazoned" - of being forced to compete with the world's most powerful online retailing brand.

Another risk is the will-we-ever-make-money question: DVD Express expresses the hope that margins should rise as some of the new entrants give up selling at a loss and close, but it is hard to know how long that will take. One industry insider was quoted as saying that DVD retailers were buying a title for \$18 which they sold for \$10.

Finally comes the risk of technological change. Today, broadband internet access claims fewer than 1m residential users. But as it sweeps the US, more digital content will be delivered electronically. DVD Express will have to build a franchise to avoid being sunk by a coming wave of electronic download.

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ROGER DEALE

Bank Austria Creditanstalt

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High-tech insight into the brain

But the mystery behind the creation of a work of art remains, writes William Packer

Quite what the artist sees of the world, and how he renders his response and understanding into a work of art, are questions that have baffled curiosity since art began. Which is not to say that our enquiries should not continue - and, if new technologies appear, then why not try them out? The only thing is not to expect an answer. A mystery shifted sideways, or turned

The artist looks, and thinks, decides and makes a mark. But is the mark achieved the one intended?

upside-down, is still a mystery. A small exhibition at the National Portrait Gallery, technical for the most part but augmented by a handful of relevant paintings and altogether thoroughly absorbing, now addresses just this subject. Some years ago, John Tchalenko, a film-maker and scientist, trained his camera on the painter, Humphrey Ocean, even as Ocean went through the lengthy process of painting a double-portrait of him and his cameraman.

In that mutual study lay the germ of this present exercise, in which Ocean has been filmed at length, wearing an eye-tracker - which registers the focus of every flicker of the eye - while working from the model. It is a tool much used nowadays in such things as the training of pilots and the ergonomics of complex control design, but no-one had thought of strapping it to an artist before. To follow, it was also thought a good idea to put him into an fMRI chamber - which is to say a functional Magnetic Resonance Imaging device - and have the electrical activity of his brain recorded while he made some drawings. We already knew Ocean as one of the more sensitive and intelligent painters of his generation, but clinical confirmation can only be reassuring.

And of course non-artists were subjected to the same experiment, to make comparison. The analysis of all this data is as fascinating as it is inconclusive. The correlation of the movement and focus of the eye, as registered by the tracker, to the movement of the hand as caught on film, revealed a concentration of activity, even as the hand was hesitating or the eye checking and re-checking, that the non-artist could hardly begin to match. Indeed, from the fMRI material it appears that quite different parts



Wired up: Humphrey Ocean demonstrates the use of the eye-tracker as he works on a portrait

of the brain were engaged. It is indeed remarkable to have the working visual process demonstrated, as Tchalenko puts it, as "hundreds of eye-brain-hand-eye cycles, each lasting a few seconds", and mark the astonishing accuracy of attention, as both eye and hand turn unerringly from the model to the equivalent square-millimetre on the surface of the paper, and so back again. But we are left no nearer an answer to the greater question.

For an aptitude may be inherited, and a skill developed. Nature or nurture, or a bit of both: which is it to be? As Tchalenko wryly admits: "the more factual details I uncover about this process, the more mysterious

the central act of creation appears." And Ocean himself hardly clarifies the issue: "At any given moment," he tells us in the exhibition pamphlet, "I will start with what I can see from where I am. I try to achieve a likeness. But what I want is a likeness to the reaction I have to something I can see." A pamphlet diagram gives us the cycle of "the eye captures the brain processes the hand implements the eye evaluates" and so round again, with a short-circuit or two across the circle.

This is dense stuff, but important nonetheless. For what we are asked to look at is the visual intelligence at work, and it is work of a very particular kind.

We tend to recognise intelligence only by conventional academic criteria, founded upon established fact, moderated by reason. Which is all very well, as far as it goes, but it does then confound us when we confront great works of art, that we acknowledge to be the mark and triumph of our civilisation, yet unamenable to such rationalisation. What is there to say, in such a way, of the National Gallery's great portrait by Rembrandt of the seed, lately bereaved Margaretha de Geer (1661), that Ocean has included in this exhibition and is, in its richly clothed surface, one of the most profound studies of humanity ever made? We may mumble something of the artistic temper-

ament and a natural gift, as though to put it all down to native luck. The intuitive, side-stepping yet critical intelligence is always unsettling.

My feeling is that it is by such objective engagement with the real and visible world that the artist seeks to make real his sense of being alive and sentient within it. And, perhaps, by getting close to getting it right, he then makes it available to us to make sense of in our turn, and in our way, by the light of our own experience. The artist looks, and thinks, decides and makes a mark. But is the mark achieved the one intended? And does the one intended, in the event, match the perceived reality? And what about the mark laid next to it, and the next and next? As the marks accrue, so does the unforeseen, by an impulse here, an accident there, an intuitive adjustment there, and all to be critically considered against the reality. So it goes on, round and round, as the pamphlet says. It will never be right, quite. There is no end to it, which is the greater mystery.

For the past 30 years or so, our art educators have largely abandoned the critical practice of objective and technical study in favour of uninhibited self-expression on the one hand, and the self-conscious pursuit of ideas on the other. For my part I cannot help but think that what was good for Rembrandt and Gwyn John (another of Ocean's ex-pupils) still had its uses. The indifferent student thus acquired a critical apparatus and technical skill; the gifted student the freedom to work as he chose. By this small, intelligent display, almost by the way, Humphrey Ocean and John Tchalenko show all is not lost. The work goes on.

The Painter's Eye - Humphrey Ocean & John Tchalenko: The National Portrait Gallery, St Martin's Place, London WC2, until June 13; part of The Wellcome Trust SCI-ART Project.

MUSIC

Strauss tarts up Mozart

On Friday Richard Hickox and his City of London Sinfonia scored a triumph for the Strauss half-centenary by introducing us to something rare, largely unheard-of and altogether fascinating. It both was, and was not, Mozart's 1781 opera *Idomeneo, King of Crete*.

Strauss worshipped Mozart, and *Idomeneo* had been virtually forgotten in Austro-German opera houses - too stately, wordy and formal, too much of an antique opera seria. When somebody remembered that 1881 would be its 150th anniversary, Strauss undertook to modernise it, "to win back *Idomeneo* for the German stage".

Working with a new German text by the producer Lothar Wallerstein, Strauss eliminated all the recitatives in favour of succinct, symphonically composed passages, and discreetly re-touched some of the orchestration. Furthermore he reduced Electra, a dramatic but somehow non-functional role in the original Mozart, to a mere high priestess who doesn't want *Idomeneo's* son to "inherit the purity of Greek blood" by wedding the Trojan princess Iphigeneia.

Even in 1931, it was held to make this myrmagoric creature an exponent of quasi-Nazi racism! Strauss also cut Arctas's bass arias, which is standard practice now, and *Idomeneo's* "Torna la pace" too. Beyond that again, he re-ordered much of the action, composing new music for the new joins, partly on Mozart's themes.

Finally - and this is why the Strauss-Mozart *Idomeneo* could never be a substitute for the real thing - he inserted shamelessly personal bits of his own. A disconcerting quote (way out of line) from his *Ägyptische Helena*; a charming late-Romantic interlude for Act 2; and spectacularly, just before Mozart's reverent final chorus in Act 3, an *echi*-Strauss ensemble that seems to ecstatic *Rosenkavalier* heights before it tucks to a glowing *Cypriote* close.

Hickox let us hear that all this re-working and re-writing stemmed from deep affection for Mozart. Who cares whether it was "misguided", or "anachronistic"? Since there is no chance of its supplanting the original, we can appreciate the result as an overweening tribute from a master hand.

Thanks to an excellent cast, led by Alison Hagley's searchingly subtle Iphigeneia and Kurt Streit's sombre, troubled *Idomeneo*, with Pamela Helen Stephen's upstanding mezzo *Idamante*, Christine Brewer's urgent priestess, Matthew Brook's various bass roles and the London Symphony Chorus, while the hybrid score lasted it almost persuaded. No Straussian and/or Mozartian who was there could have failed to be stirred and amazed, and often amused.

For the sake of those who weren't, Hickox and the CLS must commit their vital performance to CDs. An "important" rediscovery? - well, not really; but intriguing, thought-provoking... most certainly, yes.

David Murray

Sponsored by HSBC Holdings plc, with support from The John Ellenor Foundation.

THEATRE IN PARIS RICHARD III

Boiled down to blood and guts

Revamping the classics, or "relecture" as it is politely known, has been the main concern of many French theatre directors for close on 30 years, now Patrice Chéreau drew international attention to the trend with his highly acclaimed century treatment of Wagner's *Ring Cycle* at Bayreuth in 1976. Shakespeare's *Richard III* is the latest to be put through the mill of "relecture" with highly unorthodox, and very happy results.

Under a marquee in the Parc de la Villette, director Geneviève de Kermabon has forged a sometimes overstated and terrifying universe out of Shakespeare's darkest history play. It is partly mime, partly puppet show, and mostly declamatory theatre using minimal props, in the purest Renaissance tradition.

The set is a half-moon wall of wooden planks, in which numerous doors provide for lots of clever exits and entrances. The costumes mix ancient and modern, and gender is constantly interchangeable: the Duchess of York is played, in a period dress, by a man, Joe Sheridan, who also takes the role of her son Edward, wearing schoolboy's uniform. The Bishop of Ely is an actor rigged up like a rag doll, and various minor masculine roles, such as Clarence's jester, become even more sinister played by women. The biggest single shock of all, however, is legless actor Hervé Paillet as Richard. "Rudely stamped" indeed, he is either carried around stage on his aris. Paillet was a replacement for a colleague, suffering from brittle

bone disease, who died suddenly during rehearsals. A confusingly densely populated play by any standards, *Richard III* can be pretty baffling in this version too, even with the help of an additional introductory monologue by the dead Henry VI, all gore and protruding daggers. Paillet's disability, meanwhile, is so major as to be continuously disturbing. Strong on the role's dramatic aspects,

The Duchess of York is played, in period dress, by a man; but the biggest single shock of all is the legless actor Hervé Paillet as Richard

his delivery all too often sacrifices the poetry, which is good even in French, while turning all of Richard's curdlingly clever sarcasms into angry diatribe. So much inventiveness and so much violence (Clarence is drowned in the "maternity bust" on stage and not off, as Shakespeare directed) are wildly entertaining even if the play itself, bereft of its tenderness and poetry, does end up resembling a blood-and-guts tragedy by some minor Elizabethan playwright.

Richard III is also centre stage at the Théâtre de la Bastille in *Imprecation 36*. Written and directed by Michel Deutsch, it is not so much a play as a

tongue-in-cheek mish-mash of sketches, performed on a bare stage and very loosely built around Shakespeare's *Richard* and a similarly psychopathic, unnamed modern-day crook. André Wilmas slips from an impressive Comédie Française delivery of Richard, complete with heavily accented hump back and limp, into something altogether more supple, contemporary and full of expletives, as the ill-defined crook.

He is accompanied by young actresses Judith Henry and Marie Payen in a multitude of roles Renaissance and modern; bad guys, Deutsch seems to be saying, are bad guys, whether murdering their way to the throne or peddling heroin. It may not be a profound point, but it does make for good entertainment. Accompanied by a four-man rock band, Wilmas first of all raps his way through the cast list before launching into a diatribe against the insipidity of modern life, too many TV chat shows, too much obsession with hygiene, and then acts the *Richard III* confrontation between Richard and Lady Anne: "Foul devil, for God's sake, hence and trouble us not." It all ends finally with a shouting match between Princess Diana and Camilla Parker-Bowles, to the accompaniment of a shower of rain and Elton John's "Candle in the Wind". Far more than merely pretentious, it is hilariously funny.

Nicholas Powell

Richard III runs until April 25



Unorthodox: Hervé Paillet (being held, centre) as Richard III in de Kermabon's Paris production

David Sauter

INTERNATIONAL

Arts Guide

AMSTERDAM

OPERA
Netherlands Opera, Het Muziektheater
Tel: 31-20-551 8911
Otello by Verdi. Conducted by Carlo Rizzi in a staging by Klaus Michael Grüber; with a cast led by Vladimir Bogachov; Apr 22, 25

BERLIN

DANCE
Deutsche Oper
Tel: 49-30-34384-01
Tokyo Ballet: in a Maurice Béjart programme comprising Stravinsky's *Le Sacre de Printemps* and Petruschka, and Ravel's *Bolero*; Apr 20, 21

COPENHAGEN

EXHIBITION
Louisiana Museum of Modern Art, Humlebaek
Tel: 45-4919 0719
www.louisiana.dk
The Asian City of the 90s: display focusing on the processes of cultural, political and economic development in Asia, and on the

dialogue between East and West; to Apr 21

FLORENCE

OPERA
Teatro Comunale
Tel: 39-055-211158
www.teatrocomunale.com
The Queen of Spades by Tchaikovsky. Conducted by Semyon Bychkov in a staging by Lev Dodin, in a co-production with Netherlands Opera and Opéra National de Paris; Apr 21, 24

FORT WORTH

EXHIBITION
Kimbell Art Museum
Tel: 1-817-3328451
www.kimbellart.org
Gifts of the Nile: Ancient Egyptian Faience. Display of ceramics, known as faience, a mixture worked by the Egyptians and regarded by them as magical; to Apr 25

HAGERSTOWN

EXHIBITION
Washington County Museum of Fine Arts
Tel: 1-301-739 5727
www.washcofinearts.org
Charles Walther: works of the Maryland Modernist are displayed here; to Jun 13

HOUSTON

OPERA
Houston Grand Opera, Wortham Center
Tel: 1-713-227 2787

www.hgo.com

Reactions: world premiere of Todd Macomber's new opera set in Tsarist Russia, with a libretto by Laura Harrington. Patrick Summers conducts a staging by Brahman Murray, with designs by Simon Higlett; Apr 23, 25

LONDON

CONCERTS
Barbican Hall
Tel: 44-171-638 8891
City of London Sinfonia: conducted by Richard Hickox in works by Strauss, Haydn and Beethoven, with soprano Christine Brewer; Apr 21
Royal Festival Hall
Tel: 44-171-960 4242
London Philharmonic Orchestra: contributing the International Series Daniel Harding conducts in works by Brahms, Mozart, and Strauss; Apr 20

EXHIBITION

National Gallery
Tel: 44-171-639 3321
Portraits by Ingres: Images of an Epoch: 40 paintings and 50 drawings by the 19th century French painter, includes major loans from museums in France, the US and elsewhere; then touring to the US; to Apr 25

OPERA

English National Opera, London Coliseum
Tel: 44-171-632 5300
Salome: David Atherton conducts Richard Strauss' opera, starring Vivien Tierney as Salome in David Leveaux's production; Apr 20

Seattle's Wells

Tel: 44-171-863 8000
The Royal Opera: Paul Bunyan, by Benjamin Britten. Staging by Francesco Zambello, conducted by Richard Hickox (replaced by Chris Willis on Apr 27); Apr 23, 24

LOS ANGELES

CONCERT
Music Center: Dorothy Chandler Pavilion
Tel: 1-213-955 9500
www.lapfo.org
Los Angeles Philharmonic: conducted by Alan Gilbert in works by Bernstein, Ruggles, John Williams, and Copland; featuring David Breckinridge on bassoon; Apr 22, 24, 25

MUNICH

CONCERTS
Philharmonie Gasteig
Tel: 49-89-5481 8181
European Brass Band Championships; Apr 24
Munich Philharmonic Orchestra: conducted by Manfred Honeck in works by Wolf and Tchaikovsky; Apr 21, 22, 23
Pinchas Zukerman: recital by the violinist of works by Mozart, Tchaikovsky, Schumann and Brahms, with piano soloist Marc Neffing; Apr 20

NAGOYA

EXHIBITION
Nagoya/Boston Museum of Fine Arts
www.nagoya-boston.or.jp

Art of the Ancient Mediterranean World: inaugural long-term display of more than 220 objects, ranging from prehistoric Egyptian earthenware to a fresco from Pompeii; to Jul 15

NEW YORK

CONCERTS
Avery Fisher Hall, Lincoln Center
Tel: 1-212-875 5030
www.lincolncenter.org
New York Philharmonic: conducted by Colin Davis in works by Mozart, with piano soloist Imogen Cooper; Apr 20
New York Philharmonic: conducted by Colin Davis in the world premiere of James MacMillan's *The World's Ransoming*, with English horn soloist Thomas Stacy. The programme is completed by Bruckner's Symphony No. 8; Apr 22, 23, 24
Kaufman Concert Hall
Tel: 1-212-996 1100
Recital: Violinist Raimundas Katilius and pianist Golda Vainberg-Tatz present the works of Grieg, Balys, Debussy, and Mendelssohn, along with a world premiere by Polish-Israeli composer Jan Radzynski; Apr 24

EXHIBITION

Metropolitan Museum of Art
Tel: 1-212-879 5500
www.metmuseum.org
18th Century French Drawings in New York Collections: highlights of a century of collecting, featuring 100 outstanding examples by 89 artists including Watteau, Boucher and

Fragonard; to Apr 25

OPERA

New York City Opera, New York State Theater
Tel: 1-212-870 5570
www.nycopera.com
Intermezzo: by R. Strauss. New staging by Leon Major, with sets by Andrew Jackness and costumes by Martha Mann. Conducted by George Manahan; Apr 21, 24

PARIS

EXHIBITION
Musée du Louvre
Tel: 33-1-4020 5151
www.louvre.fr
La Pyramide du Louvre à 10 Ans: programme of lectures, walks, concerts and films, celebrating the pyramid's 10th anniversary; to Apr 21

OPERA

Opéra National de Paris, Opéra Bastille
Tel: 33-1-4473 1300
www.opera-de-paris.fr
Lohengrin: by Wagner. Conducted by Mark Elder in a staging by Robert Carsen, with designs by Paul Steinberg; Apr 22, 25

TOKYO

OPERA
New National Theater
Tel: 81-3-5352 9999
Die Fledermaus: by J. Strauss. This production is conducted by Yukio Kihara in a staging by Kyoko Fujishiro, directed by Hiroaki Terasaki; Apr 22, 23, 24,

25

ZURICH

EXHIBITION
Kunststätt
Kandinsky, Chagall, Malevich and the Russian Avant-Garde: show tracing the art movements between the Russian revolutions of 1905 and 1918, and focusing on attempts by artists to fuse aspects of folk culture with Western modernism. Many of the 100 works on display are on loan from Russian museums; to Apr 25

TV AND RADIO

● **WORLD SERVICE**
BBC World Service radio for Europe can be received in western Europe on medium wave 648 kHz (463m)

EUROPEAN CABLE AND SATELLITE BUSINESS TV

● **GNN International**
Monday to Friday, GMT:

06.30: *Moneyline* with Lou Dobbs
13.30: *Business Asia*
18.30: *World Business Today*
22.00: *World Business Today Update*

● **Business/Market Reports:**
05.07: 06.07: 08.28: 09.20: 10.20: 11.20: 11.32: 12.20: 13.20: 14.20:

At 08.20 Tanya Beckett of FTTV reports live from LIFFE as the London market opens.

COMMENT & ANALYSIS



PETER MARTIN

On a life support

Outdated ideals and misplaced beliefs in the role of companies are keeping too many big businesses going

Why don't more big companies die? After all, if end-of-the-millennium capitalism is as competitive as we're told, surely we should be surrounded by corporate corpses?

Although small companies perish by the thousand, big companies rarely die completely. Instead, they are taken over. Such transactions do, from time to time, result in the extinction of the acquired company. But more often, as the vogue for purported "mergers of equals" indicates, much of the old company survives. Culture, staff, management, brands, business model, internal processes – all linger on for decades, fighting a rear-guard action against the acquirer.

Does this make sense? No, argues Andrew Campbell of the Ashridge Strategic Management Centre. Companies should simply be allowed to die when their time is up, he says. Their assets – including brands – can be sold. If they have value, they will survive in more suitable hands. But the companies themselves should disappear.

We instinctively find this approach difficult to accept. Although hostile takeovers are commonplace, the raider who seeks to dismember a company is still vilified, even in the US. Governments no longer subsidise failing companies, but they do everything short of that to keep big businesses alive, especially in manufacturing.

One school of thought is that this is as it should be – a company is more than the sum of its economic activities. It is a living institution, like a religious order. Since this view is widely held, companies are upheld by the strong instinct to preserve life.

But consider for a moment the alternative view. Think of a company as merely a way to achieve economic purposes, a bundle of contracts, relationships, and assets. These have value by themselves, for the company to survive it must add something else if it does not, surely it should die, allowing the assets to be used elsewhere.

Incumbent managers should, in other words, recognise when their stewardship of their companies' assets and relationships no longer serves an economic purpose. They make this judgment about peripheral activities: the act of divestment is an explicit acknowledgement that a subsidiary is more valuable in other hands. It is perhaps time for them to apply this to their own stewardship of the core business.

Acquiring managers would have to change the way they operated. They would be free to display more ruthlessness in the early months of the

takeover, instead of mouthing platitudes about drawing on the best of two traditions. But they would soon face a harsh test for their stewardship of the newly acquired assets: can they use them more effectively? If not, it would be time for the assets to change hands again.

Even though this approach is not widely shared today, cash takeovers help push managers and investors to think in this way. The recent trend towards all-share mergers lets them off the hook, by leaving a tempting zone of ambiguity. A year or so down the road, it is harder to judge how much an all-paper acquirer paid, and how effectively it is using its new assets. A willingness to tolerate the idea of corporate extinction would sharpen the debate on such deals.

Take, for example, the three-way wrangle over Telecom Italia's fate. Clearly, whatever happens in the market for corporate control, Italians must

continue to receive a phone service. That test is likely to be satisfied by any of the proposed outcomes: continued independence for the company; a takeover by Olivetti; or a merger with Deutsche Telekom. So how should the battle be decided?

All three protagonists present themselves as stewards of Telecom Italia's legacy. Olivetti's Roberto Colaninno seeks to manage it better; so does Franco Bernabè, the company's boss. The Deutsche Telekom merger is proposed as a means of allowing both companies to survive the era of European telecommunications deregulation, with their heritage of mass coverage, universal service and national pride intact.

If you set aside the natural yearning for corporate immortality, all three proposals have drawbacks. Both Mr Bernabè and Mr Colaninno are asking shareholders to take their managerial determination on trust. The Deutsche Telekom merger would – we are told – involve some industrial reorganisation. But no matter how sweeping, this is probably not the best possible use of the two companies' assets, since the various elements of the two companies' portfolios could individually find better partners.

Since no one disputes that Telecom Italia has been wastefully managed in the past, this three-way choice seems unnecessarily limited. Perhaps a full-scale auction of Telecom Italia's assets would serve shareholders and customers better. Even employees, who have the most to lose if existing relationships are threatened, might ultimately do better from working in a more effective structure. Such an auction would break the business down into its components – property, infrastructure, long distance carriage, "local loop", customer service, and so on – then sell them separately. The outcome would, indeed, be corporate euthanasia. As the Victorian poet Arthur Hugh Clough put it: "Thou shalt not kill; but need'st not strive/Officiously to keep alive."

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LETTERS TO THE EDITOR

An Irishman is best for trade post

From Sir Roy Denman.

Sir, With an imminent changing of the guard at the European Commission, William Wallace's plea for a more effective European approach to the US is timely ("Meeting of minds", April 15).

The new president faces three challenges. Europe has spoken with a single voice on trade issues for the past 40 years; this has enabled it to make a significant contribution to the liberalisation of world trade. But there is no single European voice in services and environmental and social policies – areas of growing importance. The US and the European Union are about to

embark on a new "millennium round" of trade negotiations and it is high time the Commission was the EU's representative on these issues as it is for trade.

Representation of the euro on the world stage is also a mess. The vanity of finance ministers is legendary. But the longer the Euro 11 take to agree to be represented simply by the equivalent of a Treasury secretary and the president of the European Central Bank, the longer it will take for Europe to be taken seriously.

What sort of person will Romano Prodi designate as the Commissioner dealing with external trade? Will he or she be a failed politician,

or someone who knows the US, as is tough as old boots, but can charm birds off trees whether in Houston, Atlanta or Capitol Hill? Writing as a European with a British passport, with some experience in this field, I would say the best bet here could be an Irishman. And many in Brussels would agree that Peter Sutherland would be the best possible choice.

The answers to these questions will test not only the ability of Mr Prodi but the promised goodwill of the European heads of government.

Roy Denman,
1945 Avenue de Tervuren,
1150 Brussels, Belgium

Unacceptable to Virgin

From Mr Richard Branson.

Sir, I refer to your Lex comment about Virgin Atlantic on April 19.

Lex says: "presumably based on the inaccurate story appearing in the edition of April 17, that Continental Airlines was seeking to buy a 40 per cent stake in Virgin Atlantic for only \$24m. Our discussions with Continental centred on taking a minority stake at a price that would put a value on the company considerably in excess even of the \$1.2bn you speculate as the 'starry-eyed' float valuation. Lex then goes on to cast aspersions on my company's accounting methods by its reference to 'opaque finances'."

You arbitrarily question our effective tax rate of 20 per cent as unsustainable in a public company. We benefit from significant capital allowances – a standard feature of a capital-intensive industry, as any financial journalist should know.

One has to question the quality of the financial accounting behind this story showing such a lack of basic financial understanding as to put forward assertions as fact such as "a standard 25 per cent flotation discount" (what "standard" is that? – the market norm is around 10 per cent) and that a company floating in "autumn" 1999 (per the FT article of April 17) would have an initial public offering valuation based on April 1998 figures. I could go on.

Lex is perfectly entitled to its own opinions. But inaccuracies such as these are extremely basic and extremely damaging to my company and are unacceptable.

Richard Branson,
chairman,
Virgin Atlantic,
Crawley Business Quarter,
Manor Royal, Crawley,
West Sussex, UK

The truth as recognised by BBC journalists

From Z. Jakopovic.

Sir, It is incredible how BBC World studio journalists react when interviewed. Criticise Nato over the bombing of Yugoslavia. They seem shocked, never let their guests finish and keep repeating unsubstantiated Nato spokesmen's claims of Serbian atrocities. However, if they hear "Serb bashing" they are more than willing to give such commentators

all the time in the day, without much cross-questioning. Does the only truth you recognise come from "reliable Nato sources", ie the Kosovo Liberation Army and Nato, which have proved to be very dubious? Or are you just afraid that the British people cannot handle a complicated situation in which the Serbs are not the villains? I do not have to remind you that many Nato

claims have had to be retracted quickly, but I am still waiting for a significant Yugoslav government lie. Unlike people in the UK, I have the opportunity to watch BBC, CNN and Sky News as well as Yugoslav TV, and I cannot believe how low western media have stooped.

Z. Jakopovic,
Belgrade, Yugoslavia

'Happiness' is a sad tale of oddballs' desperation

From Mr Samuel Walden.

Sir, "If there are any better films in the next millennium we will all want to stay alive and see it out." This was Nigel Andrews' verdict in his review of *Happiness* (April 15). Such ballyhoo is clearly intended to leave readers with a "must-see" endorsement.

Regrettably, having followed this advice and seen the film, I feel that it should not have been commended without a prominent caveat. It does far more than broach "nearly every taboo sexual topic in the book". While

well made, it is deeply disturbing, particularly in its portrayal of paedophilia. We are told that "there has never been a better film about desperation". Yet it is principally a film about the desperation of adult sexual oddballs rather than about desperation per se.

In his introduction, your reviewer attempts to universalise the film's subject matter by claiming that "it tells us what we already knew but scarcely liked to say, even to ourselves. That a well-adjusted human being is a contradiction in terms."

The implication here is that the characters are in some broad sense representative of society. However, not one of the adult protagonists in the various strands of this film can be viewed as "well-adjusted".

If film-makers are to set their sights on your reviewer's praise, then we should, rather than wait to see the next millennium out, consider death's certainty as merciful relief.

Samuel Walden,
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PERSONAL VIEW SADAOKO OGATA

Returning the refugees

The UNHCR is ready to help Kosovars return home, but to do so peacekeeping troops are needed, as well as a reconstruction plan for the whole region.

The refugee exodus from Kosovo constitutes one of the most deplorable episodes in modern European history. Driven from their homes, stripped of their possessions and deprived of their identity documents, the Kosovars are the victims of a shameful and systematic campaign of persecution and abuse. Using the most brutal methods imaginable to erase a population from the map, the Yugoslav authorities have acted in a way that is morally repugnant and in direct violation of international law.

The international response to this refugee crisis has suffered from some evident shortcomings. The speed and scale of the exodus took everyone – including the Office of the United Nations High Commissioner for Refugees – by surprise. As a result, the relief effort was slow to get off the ground and placed undue strain on the countries directly affected by the influx. The hastily arranged effort to evacuate some of the refugees from the Balkans has in some cases led to the separation of families.

With the refugee exodus continuing and no resolution to the Kosovo crisis in sight, this humanitarian catastrophe will not be resolved quickly. But a number of practical steps can and must be taken to limit the suffering of the Kosovar people and to bring a degree of stability to the region.

First, it is essential that the refugees be provided with effective protection in the countries to which they have fled. It is reassuring to note that so many refugees from Kosovo have been admitted to neighbouring states. But some deeply disturbing incidents have also taken place. Borders have been closed, leaving large numbers of refugees to fend for themselves in difficult and dangerous locations. New arrivals have been involuntarily moved from one location to another, forcing them to abandon their few possessions. And the conflict has started to spread beyond the borders of Kos-



Unhappy families: the UNHCR wants to help refugees to reunite

ovo, adding to the insecurity of refugees who are camped in border areas.

If such occurrences are to be averted, a scrupulous respect for the principles of international refugee law is required. Displaced Kosovars must be allowed to leave their homeland and to seek safety in neighbouring states. No refugee should be forced back to Kosovo, or moved without being properly consulted. To reinforce the security of the refugees, the refugee camps should be established at a suitable distance from the border with Kosovo and must retain a strictly humanitarian character. There should be no armed presence in or near the camps.

Achieving this will require a properly co-ordinated refugee relief operation. For unless they receive adequate international support, asylum countries such as Albania and the Former Yugoslav Republic of Macedonia (FYROM) will become vulnerable to increased social and political tension.

The refugee operation has gained real momentum. Many governments and members of the public have pledged their support. Generous contributions are being made and the practical arrangements needed to provide the refugees with basic needs put into place.

A third and pressing objective must be to reunite family members who have lost contact with each other. There is some disturbing evidence to suggest that adult males have been separated from their wives and children by the Yugoslav security services.

Many other families have been split up in the process of being expelled from Kosovo, while the hasty and involuntary relocation of some refugee groups has frequently caused the sick and elderly to be left behind. UNHCR's efforts to register the refugee population will help many of these families to be reunited.

The fourth significant challenge is to be found within Kosovo itself. In the absence of any international presence in Kosovo, it is impossible to know with any degree of accuracy the numbers of those displaced or their suffering. But it is clear from refugee testimonies that thousands of people are hiding in the hills and forests of Kosovo, living in constant fear of the Yugoslav military.

UNHCR stands ready to move back into Kosovo, to assist all those in need and to help those refugees and displaced people who wish to go back to their homes. But that can only happen under certain specific conditions: the withdrawal of the armed

forces and security services responsible for the persecution and expulsion of the Kosovars; the deployment of an international military force; and the establishment of an international monitoring mechanism. Such arrangements must also guarantee the safety of Kosovo's Serb population and protect their right to live in Kosovo, whatever its future status.

Fifth, planning must be accelerated for a long-term solution to the Kosovo crisis. It is clear that the only solution for the vast majority of refugees – and for the many thousands displaced in Kosovo itself – will be voluntary repatriation. Any other approach would serve to endorse the ethnic cleansing that has already taken place.

Thought must also be given to the enormous task of reconstruction and reconciliation. A political settlement to the crisis in Kosovo is required. A settlement must also give full support to the International Criminal Tribunal for the Former Yugoslavia in its work of bringing to justice those guilty of crimes against humanity. Without such justice there can be no meaningful peace in Kosovo.

Finally, the regional dimension must not be neglected – perhaps one of the most important weaknesses of the Dayton Accords. The crisis has highlighted the vulnerability of neighbouring countries such as FYROM and Albania, which in many ways are poorer than Kosovo itself. These countries require economic assistance. But they also need help to build the national institutions and civil society that can provide a basis for future stability and economic growth. Montenegro, and a democratic Serbia, might also eventually be brought into a regional plan for reconstruction – a plan that will need the vision that has been so lacking in previous attempts to end the conflict in the Balkans.

The author is United Nations High Commissioner for Refugees

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Tuesday April 20 1999

The fall of a high-tech hero

The fall of Eckhard Pfeiffer, who has resigned as chief executive of Compaq Computer, shows American capitalism at its most cold-eyed, bruising and unsentimental. And it is a healthy sight.

Until Sunday, Mr Pfeiffer was one of the most prominent businessmen in the US, widely admired for his turnaround of Compaq, catapulted into the top job in 1991, when the company announced its first quarterly loss, he presided over its growth from a business with \$3bn (£1.8bn) of annual sales to some \$40bn, and its expansion into a full line computer company.

The proximate cause of his resignation was a profits warning last week that surprised Wall Street analysts, already on poor terms with the company. In a cutting edge, high technology industry, where share price valuations are extremely volatile, companies ignore good communications with the broking community at their peril.

But behind the profits warning - which the company claimed reflected industry-wide trends - appear more deep-seated problems of strategy and execution specific to Compaq.

One of the most serious is its difficulty in changing its personal computer business model to cope with the direct selling methods pioneered by Dell Computer, which are more suitable for a commodity product. By eliminating a layer of middlemen dealers, and building to order,

Dell has achieved far greater flexibility in pricing and inventory control. Compaq has fumbled its attempts to move in this direction.

The company, which has jumped in size over the past two years through the acquisition of Tandem Computers and Digital Equipment, may also have been slow to get a grip on these new businesses, particularly Digital.

All this suggests that while Mr Pfeiffer was an excellent manager of the company's growth in the mid-1990s, he may not have the ideal skills to oversee the much more complex period of evolution with which it is now grappling.

Matching executives' strengths to a company's growth is hardly a problem unique to Compaq. Any fast-growing business can face a potential mismatch. But many companies are not prepared to act toughly. The temptation is to avoid embarrassing confrontations with corporate heroes, in the hope matters will right themselves. In many sectors, companies can still live off past laurels for a considerable period of drift and decline.

Not so in an industry as fast-moving and open to new entrants as US PCs. The results may seem brutal. But US executive pay levels should more than compensate for an uncertain life at the top, and a willingness to embrace ruthless change is one of the strengths of American industry's competitive creativity.

Turkey's poll

The outcome of Turkey's general election yesterday should give a salutary shock to the outside world, not least to the European Union. Instead of producing a strong showing by the Islamist party, which was widely expected to top the poll, it has resulted in big gains for two nationalist parties, on the left and far-right.

There is both good and bad news. It is reassuring that the apparently inexorable rise of the Islamists, represented by the Virtue Party, has gone into reverse. They have been shown to be a political party like any other. They still won support at local levels, where their running of cities like Istanbul has been seen as fair and effective. But at the national level they lost ground.

The disturbing news was the leap in support for the far-right Nationalist Action party (MHP), which more than doubled its vote to become the second-largest group in the new parliament. The party claims to have shed its most extremist and violent elements, but it has yet to prove its more moderate credentials. It remains fiercely nationalist on questions of Kurdish autonomy - it denies the existence of a Kurdish problem - and on the defence of Turkish Cyprus.

The main victor, however, was the Democratic Left Party of Bülent Ecevit, the outgoing prime minister, who topped the poll. He has strong nationalist

credentials, as the premier who ordered the Turkish invasion of Cyprus in 1974. He also benefited from being seen as an honest broker in previous governments, attempting to provide stability and continuity.

The EU is at least partly responsible for the popularity of both parties. One factor has been the upsurge in nationalist sentiment over the pursuit and capture of Abdullah Öcalan, the Kurdish guerrilla leader, in January. EU states, led by Italy and Germany, were blamed for refusing to extradite him. That reinforced a backlash against the EU which started when Turkey was snubbed in its application for membership in 1997.

The final shape of the new Turkish government may take time to emerge. But the election underlines how essential it is for the EU to pursue a coherent policy towards Ankara. Turkey is a vital strategic partner for Europe, in the Middle East, the Balkans, and in central Asia. Yet the member states have treated it as a second-class neighbour and allowed the relationship to be blocked by the veto of Greece.

It is in the vital interests of both Turkey and the EU to put these relations back on a proper footing. The new government in Ankara must not relapse into furious isolationism. And the EU must show greater understanding of Turkey's national pride.

Controlling risk

It was Sir Adrian Cadbury who said - nearly a decade ago - that all financial failures were in essence a failure of internal risk control. Today, at long last, the report of the Turnbull Committee lays out - albeit in draft form - how listed UK companies should report on the risks they face. Turnbull could have ducked the issues. Instead its proposals - which in their final form should have the backing of the Stock Exchange - have some real bite. And they avoid unnecessary red tape.

In the US, exhaustive public disclosure was recommended by the Treadway Commission in 1992. The reality is that this rarely gives an insight into the risks that actually threaten a business. The problem is that discussing real risks - like obsolete products or unethical suppliers - can damage the share price and give competitors a field day. The alternative - a couple of lines of bland prose in the annual report - is almost as bad. Investors may draw comfort from such pieties but it is usually misplaced. Turnbull has avoided both pitfalls. Companies, in a brief disclosure, have to say that they have an ongoing risk analysis programme which is regularly reviewed. Furthermore this risk analysis should embrace all threats - not just the narrow financial ones. This innovation, signalled by the otherwise cau-

tious Hampel Committee, reflects the myriad risks faced by the modern company. No company can be a going concern unless such threats have been fully analysed. And Turnbull has a sting in the tail. Companies must own up if the internal control system has failed and say what they have done to put things right.

Directors and auditors should embrace the new guidance. It gives them the flexibility to make sure proper risk control is embedded in the corporate culture - not just bolted on for the annual report. Non-executive directors, in particular, will be expected to make sure that the external disclosures match the internal reality. The audit committee may have to take on a bigger role - although the responsibility is the full board's alone.

Properly implemented, Turnbull brings to an end a revolutionary phase in the history of corporate governance in Britain. It is the last piece of the jigsaw which brings together the recommendations of Sir Adrian Cadbury and Sir Richard Greenbury and Sir Ronnie Hampel into a single, so-called, supercode. A system based on principles rather than checklists, and on meaningful disclosure rather than prescriptive data, will now be on trial. Businesses prosper by taking risks. Now they have the means to assure all stakeholders that they are the right ones.

The bull market may still be charging ahead, but it has changed direction. For the past five years, investors have ploughed cash into industries such as technology and pharmaceuticals that seemed to promise unlimited growth. But now they have had a change of heart.

The ratings of classic growth stocks have started crumbling on Wall Street, and long-neglected cyclical - manufacturing and processing companies - are once more coming to the fore. The Dow Jones Industrial Average rose sharply yesterday in early trading, while the technology-dominated Nasdaq lagged behind.

Nor is this phenomenon confined to the US. In the UK and Europe, industrial stocks have returned to favour in recent weeks and even long-depressed commodity shares have started rebounding in Latin America.

This shift in sentiment could alter the entire climate for stock market investment. Value investors, those who look for shares that are temporarily undervalued, have performed poorly in recent years. Success has gone to the momentum investors, those who have bought stocks that have risen sharply on the grounds they will go even higher. But the value school may finally be staging a recovery.

The neglected smaller company sector may also be edging back into the limelight. In the UK, the FTSE 250 and SmallCap indices, which are both heavily weighted towards industrial stocks, have each risen by 19 per cent this year and have outperformed the blue-chip benchmark by more than 9 per cent. In the US, the Russell 2000 index of small companies has done less well since January, but is up 25 per cent from its depressed level of early last autumn.

But the return of cyclical stocks may have a sting in the tail. One group that has taken part in the rebound has been the commodity stocks, thanks to a rebound in the crude oil price, and some analysts are talking about a pick-up in metal prices.

The low inflation era of the late 1990s has been in part due to low commodity prices. If they are rebounding and global economies start to grow rapidly, then eventually central banks may be forced to reverse their recent rate cuts. And that could spell the end for the long bull market.

The pick-up in cyclical stocks is largely caused by two factors: a turnaround in the prospects for world economic growth; and a belief that such shares have become undervalued.

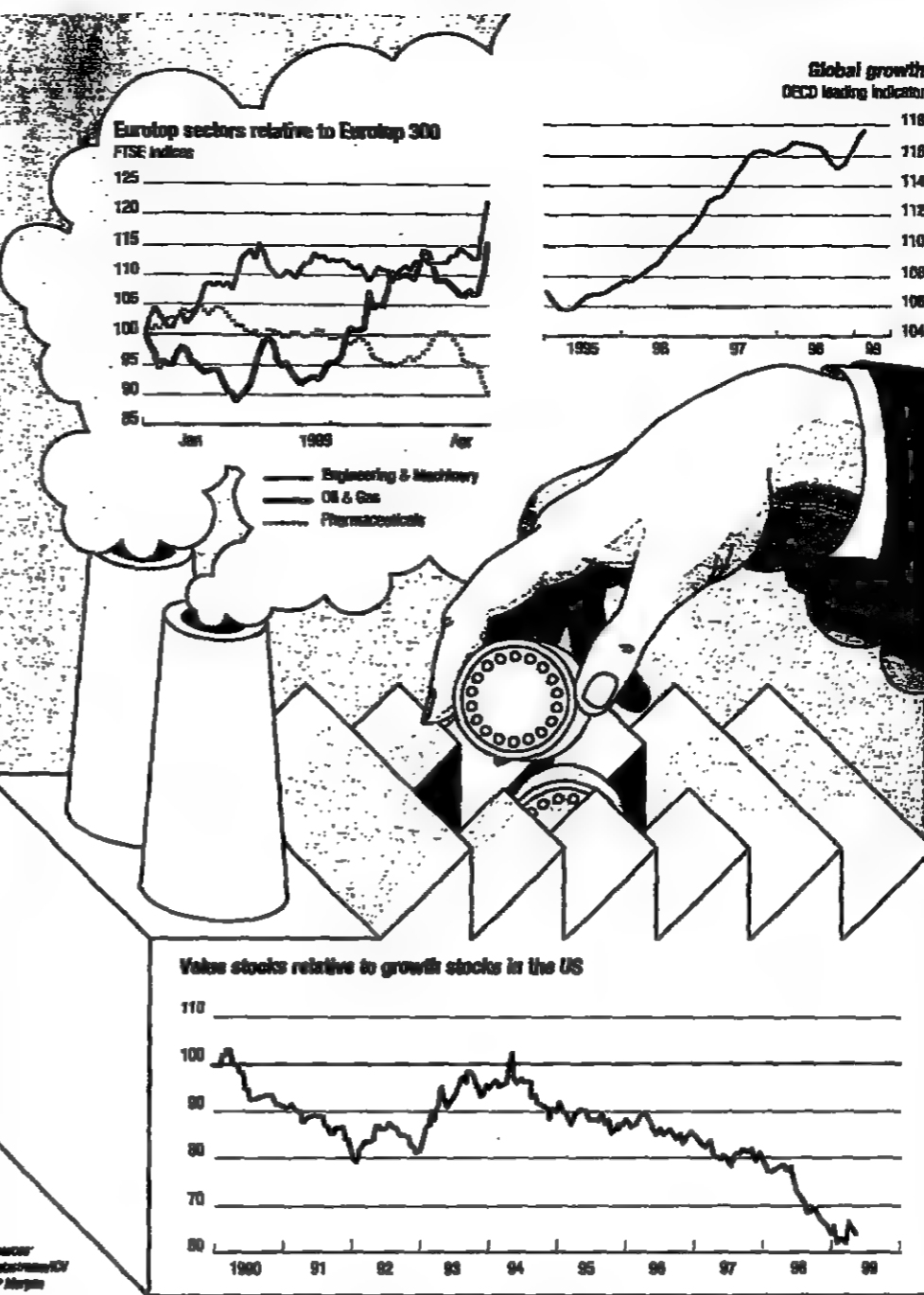
Investors are more confident about the outlook for the world economy than they were in the dark days of autumn 1998, when many were talking about a global recession in 1999.

We've had several occasions over the last few years when it looked as though things were turning around for the global economy," says Stephen Siller, an economist at Lehman Brothers in New York. "The question now is, is this finally it? Have we passed the low point?"

While huge problems remain in the Asian financial sector, the worst could be over for the region's economies. The competitive boost from 1997's devaluations and the effect of recession on demand for imports has vastly improved their current account positions, and economic forecasts are being revised upwards.

The US has shrugged off all the fears of a credit crunch that prompted the Federal Reserve to cut interest rates three times in

Philip Coggan and Richard Waters on why investors are looking again at unfashionable industrial shares



the fourth quarter of 1998. Gross domestic product growth turned out to be an annualised 6.1 per cent in that period and there scarcely seems to have been much slackening this year.

In continental Europe, where there has been a decline in output in Germany and sluggish growth in France and Italy, the recent half percentage point cut in interest rates by the European Central Bank has sparked hopes of a return to more solid growth. And in the UK, talk of a recession is fast fading: when figures are released on Friday, it seems likely they will show that the economy avoided a fall in output in the first quarter.

All this helps the cyclical stocks that tend to benefit proportionately more from an improvement in the economy. As a group, they tend to be highly operationally geared: a small rise in revenue growth means a big improvement in earnings.

This is not only wishful thinking among investors. Executives in some of the industries most battered by the Asian crisis, such as steel, report an about-turn in their prospects in recent weeks, even if it will take some time for this to show through in the form of higher earnings.

"All the tea leaves look good," said John Correnti, chief executive of Nucor, the second-biggest US steel producer. Nucor's stock

slumped last autumn as Asian and Russian steel swamped the US market. Now, says Mr Correnti, the pressure has eased and orders are turning up again. The effects of this Nucor's profits will not be felt during the first half of this year, but should become apparent during the autumn, he adds.

The prospect of this recovery has also helped focus the markets' attention on the relatively

'Most of the internet speculators have never even owned a chemical stock'

low level to which the stocks of such companies had fallen.

The appetite for growth stocks that investors have displayed in the mid-to-late 1990s has meant that a vast valuation differential has developed between stocks in a few favoured sectors - information technology, telecommunications, pharmaceuticals - and the rest of the market.

Many argue that there has been a change in the industrial climate that justifies this differential. In a slow growth, low

inflation and globally competitive economy, it is very hard for many companies to increase sales or prices. For many, life has been a struggle to cut costs just to stay in business.

Technology, pharmaceutical and telecommunications businesses all enjoy the advantage that their industries are increasing rapidly. Not only does this make it a lot easier for them to continue increasing profits, it means that they stand out from the rest of the market, and accordingly attract a premium rating.

But while some premium might be justified, has the market taken it too far? In the UK, for example, telecommunications stocks still trade on a historic price-earnings ratio of 68, while pharmaceuticals groups command a multiple of nearly 48; the rating afforded engineering stocks is just 15 and forestry and paper manages a mere 11. That seems to afford plenty of scope for bargain-hunters.

The US's leadership in many parts of the technology industry - and its early lead on the internet - have made some Wall Street comparisons even more extreme. Before a rally that set in last autumn, the five biggest US paper companies, which between them employ more than 200,000 people and have revenues of \$55bn, were worth a collective

\$25bn. That is about the value, at its recent peak, of eBay, an Internet auction company with 138 employees and revenues last year of under \$50m.

With such bloated market values among the growth companies - and such relatively small capitalisations on cyclical companies - it does not take much of a switch from one to the other to produce an out-sized bounce in paper or other cyclical stocks, says Byron Wien, US equity strategist at Morgan Stanley Dean Witter. "A little bit of money goes a long way," he adds.

So far the adjustment in relative valuations that has been underway in stock markets around the world this month has only amounted to a reversal of some big historical anomalies - the equity market equivalent of a bargain-basement sale.

It is far from clear whether cyclical companies will justify this enthusiasm - or even whether the very forces that have produced this turnaround could spell an end to the bull market.

For a start, it will be some months before companies in the most down-trodden industries like chemicals and steel, or capital goods, produce the sort of robust earnings rebound that investors are hoping for.

The overcapacity in world manufacturing has not gone away overnight, and as long as manufactured goods remain in surplus, few producers can look forward to a return of pricing power. In the US, the earnings boom that characterised the early years of the economic expansion has been trailing off for the past three years, with cyclical companies the most badly hit. The worst may be over for now, but it is unusual this late in the economic cycle to see anything more than a tepid rebound in growth, warn analysts at Lehman Brothers.

At the same time, the very forces that have produced the rebound in cyclical stocks could contain seeds of destruction for the bull market that has lasted more than 15 years on Wall Street.

Firstly, it could spell the end of the momentum-investing style that has proved highly conducive to the bull market, particularly on Wall Street. Momentum investing has worked well in the technology sector, with much of the buying coming from a new army of small shareholders.

This is a style that is unlikely to pay off if the market is moving into a new era of value investing, where picking the right moment to buy an undervalued share is the crucial skill. That requires sophisticated analysis that could be hard for the new retail investor. "Most of the internet speculators have never even owned a chemical stock," says Dick Hoey, equity strategist at mutual fund group Dreyfus.

Secondly, the change in sentiment signals a belief that the deflationary pressures that have squeezed the developed world's producers for so long are about to ease. But that implies they will eventually be able to rebuild their profit margins by raising their prices.

The last time companies involved in basic materials like chemicals, paper and metals did better than the stock market at large was in 1983, when the US economy was surging out of recession. By early the following year, however, the Federal Reserve slammed on the inflationary brakes by raising interest rates. The cyclical upturn was short that time; it may prove so again.

OBSERVER

Welteke goes down well

It's smiles and sighs of relief all round on the Frankfurt financial markets, where Ernst Welteke's expected nomination as the next Bundesbank president is the second piece of excellent news in just over a month.

Oskar Lafontaine's spontaneous combustion as finance minister last month sparked celebrations not just because of his leftist economic policies, but because he seemed intent on pushing his deputy, Heiner Flassbeck, into the top Bundesbank slot.

Flassbeck, with his calls for currency target zones and a demand-led drive for growth, would have gone down like the proverbial lead balloon with bankers and businessmen alike. By contrast, Welteke is a familiar and well-liked face.

As head of the central bank of Hesse, the state containing Frankfurt, he's built up a reputation as a friend of business with useful political contacts. Above all, he is close to Germany's new finance minister, Hans Eichel, who moved Welteke into his current job in 1995.

Still, the business world can't take Welteke for granted. Among other things, he's criticised German banks for their ultra-close relationships with private companies and their way of using proxy voice at annual

meetings. As was once said about Mikhail Gorbachev, Welteke has a nice smile - but iron teeth.

Corporate Sacrifice

Striking South Korean workers have finally found a corporate champion willing to share their pain. Daewoo chairman and founder Kim Woo-choong announced his debt-heavy conglomerate will sell \$7.5bn in assets in a bid to survive.

And in an unusual gesture of humility, Kim's agreed to put Seoul's Hilton Hotel on the block. It's home to his luxurious penthouse apartment, where his wife keeps a celebrated art collection.

Pieces from her treasure trove, including a Henry Moore sculpture, could find a new home in one of Daewoo's galleries in Seoul and the resort town of Kyongju. And if Kim's forced to leave his digs, his workers can always put him up. After all, how many bosses are willing to sell the ground beneath their feet?

Compact charisma

Eckhard Pfeiffer, who made a sudden exit as chief executive of Compaq last weekend, used to be a golden boy. And he certainly had an achievement or two to his credit, if bringing the PC manufacturer back from the brink of disaster in the early 1990s is anything to go by.

He engineered Compaq's transformation into the biggest PC manufacturer in the world, masterminding a series of spectacular acquisitions which culminated in the purchase of Digital Equipment last year.

But one failing always stood out - or rather, didn't. In an industry littered with larger-than-life characters like Bill Gates of Microsoft, Larry Ellison of Oracle and Scott McNeely of Sun Microsystems, Pfeiffer scored low on the charisma stakes.

If McNeely is the industry's consummate showman - cracking jokes and poking fun at his rivals - Pfeiffer was almost a caricature of the earnest German business manager.

Even when he smiled the audience was left wondering whether the smile had to be written into the script. In an industry where ponytails and earrings have become the hallmarks of success, Pfeiffer remained a buttoned-down business leader.

And if he'd come to work wearing in-line skates, instead of executive shoes, would his fate have been any different? Observer can only guess.

Four times a lady

Memo to Chancellor Gerhard Schröder of Germany: don't look now, but someone's creeping up on your shoulder. Yes, it's foreign minister Joschka Fischer,

who last weekend matched Schröder's record for a serving German cabinet member by getting married for the fourth time.

The 51-year-old former Greens radical, dubbed "Joschka amoroso" in the German press, took time out from attending to the Kosovo war by wedding journalism student Nicola Leske, 29, in Frankfurt's Palmengarten botanical gardens.

Friends say the knot would have been tied a few weeks ago had it not been for the outbreak of hostilities in the Balkans.

Not that serial marriage guarantees a permanent place in Germany's Social Democrat-Green coalition. Thrice-wed Oskar Lafontaine crashed out as finance minister in March after only five months in office. Still, the interior, transport and labour ministers are all into their second marriages, and Schröder took the plunge for the fourth time in 1997.

In love if not in politics, the government clearly believes that nothing succeeds like excess.

Bonding

Investors in Washington DC are being enticed by some exciting new bond issues, Observer hears.

They are being offered a choice of the Monica bond, which has no maturity; the Clinton bond, no principle; or the Hillary bond, no interest.

Financial Times 100 years ago

Brady and Co. Limited The verandah of the Emerald Isle has frequently formed the theme of local poets, but the investors of Erin must be greener than in its celebrated grass, judging from the kind of prospectus now fashionable in Belfast. We have commented on these before in our columns and we have before us now another specimen. It is that of a small cycle agency and manufactory, by the name Brady and Co. Limited, with a capital of £5,000, of which £2,000 in £1 shares is offered for subscription. There is no statement as regards the value of the assets to be taken over, and all we are told about the profits is that the average of the past three years is sufficient to pay a dividend of 10 per cent on the present issue of shares. Even the price to be paid is not stated. Nothing could be more vague, but it is apparently considered good enough for Belfast.

50 years ago U.S. record broken A British Austin Atlantic car to-day broke the record for seven days on the Indianapolis speedway. Unofficially, the mileage for the seven days was 11,875, at an average of 70.68 m.p.h.

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TUESDAY APRIL 20 1999 Week 16

INSIDE

Dasa ready for rapid ascent in Japan
DaimlerChrysler Aerospace (Dasa) is aiming to lift sales in Japan in the next decade to \$1bn, climbing from its present level of \$150m (\$127m). Its ambitious goal to increase turnover in the Asian markets from 3.3 per cent of overall turnover to between 20 and 25 per cent. Page 22

Bombay revives on budget hopes
India's benchmark BSE-30 index rose 124 points, or almost 4 per cent, to 3,451 yesterday on news that a market-friendly budget would be approved this week despite the fall of the government. The rise followed a market bloodbath on Saturday when Atal Behari Vajpayee (left), prime minister, lost a vote of confidence. Investors fear prolonged instability whoever forms a government. Emerging market focus, Page 40

Pension funds test managers' mettle
Pension fund managers in Britain are worried by the consequences of the dispute between the Unilever pension fund and Mercury Asset Management over performance levels. Page 24

Indonesian groups seek debt pacts
Bakrie & Brothers, the diversified conglomerate, hopes to be the first large Indonesian company to obtain creditor approval today for a restructuring of \$1.15bn in debt. It will be followed by Astra International, the carmaker. Page 22

Scramble for commodity stocks
The equity markets have decided that commodities have bottomed. Sydney, Johannesburg and Toronto, home to big resource companies, are seeing a revival in commodity producer equities as international institutions scramble to correct their underweight positions. Page 30

Pakistan delays the inevitable
Pakistan gained only brief respite from Paris Club pressure to restructure its international bonds by postponing a meeting with its western donors in Paris this week on ways of restructuring its \$3.3bn of foreign debt. Page 28

Amerasia sails into Brazilian waters
Amerasia, the US energy group, yesterday began exploring for oil and gas in the waters off Brazil's coast, making it the first foreign company to enter the country's principal offshore oil-producing basins. Page 20

India to hold back sugar imports
India, the largest producer and consumer of sugar, is planning to restrict further sugar imports. Domestic producers are annoyed by a fall in prices triggered by the arrival of 1.4m tonnes of foreign sugar outside the 2.2m tonnes contracted by traders. Commodities, Page 30

COMPANIES IN THIS ISSUE

ABF	24	General Motors	21
ALUS	20	Hyundai	19
Albus Industries	4	Inchcape	26
Airtours	24	Infonet Services	30
Amerasia Hess	20	Iscor	20
Anglo American	12	Johnson & Johnson	5
Asda	24	KMPG Canada	25
BHP	30	Kingfisher	24
BankAmerica	30	Kuori	24
BellSouth	21	MAH	24
Cape	21	MM Holdings	20
Check Point Software	21	Merrill Lynch	24
Citigroup	20	Norwich Union	24
Continco	20	Olvett	1
Compaq	16, 21	Petrabris	20
DTI	20	Qwest	21
DVD Express	12	Rio Tinto	20
Daewoo	16	Rockwell	21
Dats	21	Tack Corporation	20
Datsche Telekom	1	Telecom Italia	1
Ferretitalia	20	Thomson Travel	24
First Choice	24	Toyota	21
		Western Mining	30

CROSSWORD, Page 30

MARKET STATISTICS

Emerging Market bonds	24.35	FTSE 100 share index	26
FTSE 100 share index	26	Foreign exchange	26
Foreign exchange	26	Oil prices	24.95
Oil prices	24.95	London share index	31-45
London share index	31-45	Managed funds service	26
Managed funds service	26	Money markets	26
Money markets	26	New list bond issues	26
New list bond issues	26	Recent issues, UK	26
Recent issues, UK	26	Short-term interest rates	26
Short-term interest rates	26	Stock markets at a glance	26
Stock markets at a glance	26	US interest rates	26
US interest rates	26	World stock markets	27

European retail groups consolidate

Alliance plans in UK, Germany and France

By Peggy Hollinger and Andrew Edwards-Johnson in New York

Europe's retail sector is braced for consolidation as some of the region's leading companies yesterday announced alliances aimed at creating a retailing superleague.
Kingfisher and Asda, two of Britain's best known retailers, revealed details of a merger deal to create Europe's biggest stores group by operating profit and fourth by sales.
In Germany, Karstadt, the country's biggest department store operator, and Quelle, the second largest mail order group, announced plans to merge their mail order businesses. The deal would create a new group with combined turnover of DM63bn (£15.8bn, \$18bn), rivaling the world leader Otto Versand.
In France, two food retailers, Casino and Carrefour, set up a purchasing joint venture to buy supplies of some FRF70bn (\$26bn, \$26bn) a year for hypermarkets, supermarkets and convenience stores.
Analysts said the alliances were the beginning of a pan-European consolidation driven by a need for scale in an increasingly global economy. "Retailing is polarising and everything has got to be very, very big or very, very niche," said one. "If you fail in the middle you will get killed."
Mid-sized companies could not hope to fight against the power of a competitor such as Wal-Mart of the US, the world's biggest retailer. "Some 15 per cent of Procter & Gamble's turnover goes to Wal-Mart," he said. "With power like that you can really hit people."
Several other retailers are thought to be searching for ways to make pan-European mergers work. Tesco, the UK's largest food retailer, last week admitted: "Everyone is talking to everyone."
Kingfisher and Asda stressed the importance of scale as they outlined their merger plans. Combining the two companies creates one of the world's top 10 retailers by market value, expected to fall at about £19bn (\$30bn). The companies said pro forma sales would be more than £17bn, while analysts forecast more than £18bn for the year 1999/2000.
Kingfisher shares finished down 44p at 796p, a fall of some 9 per cent since the day before the deal was announced last week. It is understood a Goldman Sachs fund manager who does not like the deal was selling Kingfisher shares. Asda closed 5p down at 193 1/2p.

Doughty planning IPO for Geberit

By Charles Pratt

Doughty Hanson, the UK private equity firm, is planning an initial public offering in the summer for Geberit, the Swiss sanitary products group it controls.
Doughty bought a 70 per cent stake in Geberit in March 1997 for SF1.8bn (\$1.2bn). Doughty is thought to have originally hoped Geberit would be valued at about \$1bn on the offering, but last night analysts said it would be valued at closer to \$700m.
The listing is understood to have been pencilled in for the summer and will take place on the Zurich stock exchange. An announcement is expected shortly.
The issue is to be handled by Credit Suisse First Boston, the investment bank. This is a coup for CSFB because Warburg Dillon Read had originally been asked to review the options for Geberit.
The two are bitter rivals and Warburg is considered dominant in the Zurich new issues market. The Geberit offering is expected to be the largest new issue in Switzerland since last year's SF1.5bn float of Swisscom, the state-owned telecommunications company.
Geberit has increased its turnover from SF906m in 1996 to more than SF1bn last year. One analyst said: "It has a dominant share of the market for behind-the-wall plumbing systems. That is the trend the industry is progressively moving towards." It also specialises in high-technology automatic flushing systems for lavatories.
Geberit also has a plastic pipes business. This year it bought Terrain, the plastic pipes subsidiary of Caradon, the UK building materials group, for £27m cash.
The group manufactures ceramic bathroom products, but analysts believe it does not regard this business as core.
Analysts said the group would be difficult to value.
The offering of Geberit would come 3 1/2 years after Doughty floated another Swiss company, Tag Heuer, the watchmaker, on the New York and Zurich stock exchanges. This year it bought Tornis Bechler, the Swiss latex manufacturer.
Doughty, which opened an office in New York this year, last night declined to comment.

Hyundai and Daewoo announce restructuring

S Korean conglomerates will sell assets to cut debt

By John Burton in Seoul

Hyundai and Daewoo, South Korea's two biggest conglomerates, or chaebol, yesterday announced restructuring plans to cut their large debts in response to growing government pressure.
The proposals came after Kim Dae-jung, the Korean president, warned that the government was prepared to take management control of chaebol units through a debt-equity swap with state banks if they failed to meet a mandated gearing ratio of 200 per cent by the end of 1999.
Hyundai and Daewoo have been criticised for backsliding on promised restructuring among the top five chaebol since their debts grew significantly in 1998. Officials have praised the progress of other leading chaebol.
Second-ranked Daewoo said it would raise more than Won5,000bn (\$7.3bn) in asset sales to help halve its debts of Won8,000bn, or five times its equity. Units to be sold include its profitable shipbuilding division, two Hilton hotels in Korea, a life insurance firm and a telecoms equipment company. The announcement was made by group chairman Kim Woo-chung.
The restructuring would leave Daewoo focused on car manufacturing, financial service and trading operations. Daewoo is also negotiating to swap its consumer electronics unit, Daewoo Electronics, for Samsung Motors.
Analysts said the asset sales would ease concerns about Daewoo's financial troubles after Standard & Poor's, the credit rating agency, last week downgraded the rating of Daewoo Corporation, the group's parent company, to B from B+. Hyundai, the largest chaebol, said it would raise more than Won30,000bn through asset sales, rights issues and equity investment by foreigners, but gave few details. Hyundai's debts last year grew by 17.5 per cent to Won72,522bn, the biggest among the chaebol, due to an acquisition spree. Its estimated gearing jumped to 600 per cent if asset revaluations were included.
Analysts were sceptical whether Hyundai would be able to raise the funds needed to cut its debt to Won50,000bn this year. "With Daewoo's debt problems apparently resolved, I expect government pressure will shift to Hyundai," said Jang Ha-sung, a professor of finance at Korea University and a leading chaebol critic.
The government has warned it might investigate allegations of insider trading in the shares of Hyundai Electronics by related affiliates and relatives of Chung Yu-yung, the Hyundai founder.
Hyundai also needs to raise capital to finance its takeover of LG Semicon, the Korean chipmaker, under a state-proposed merger to reduce overcapacity in the industry. Talks have been stalled over Hyundai's acquisition price.
Daewoo chairman Kim Woo-chung announcing his plans in Seoul. AP



Citigroup profits climb 12% to \$2.4bn

By John Authers in New York

Citigroup, the financial services conglomerate formed by last year's merger of Citicorp with Travelers Group, yesterday launched a bullish assessment of its prospects, as its first-quarter earnings came in well ahead of expectations.
The company appears to have overcome the most severe problems encountered in the wake of the merger. Strong revenue growth, helped mainly by the company's consumer side, helped the company raise profits 12 per cent to \$2.4bn.
Sandy Weill, co-chief executive and former head of Travelers, said Cit's earnings were greater than General Electric's for the quarter. He added that the Salomon Smith Barney investment bank, which suffered serious losses during the Russian crisis, returned to a profit of \$720m, nearly 20 per cent more than Merrill Lynch for the quarter.
John Reed, the other co-chief executive, said the company had benefited from "benign" economic conditions, particularly in the US, and that synergies from the merger were yet to emerge.
He suggested that Europe would be a focus for activity on the corporate and investment banking side of the business. "We clearly aren't strong in Europe. If you look at Goldman Sachs or Morgan Stanley Dean Witter, they have a more significant business in Europe than we do at this point. Now that we have Salomon Smith Barney and Cit together, we are going to try and figure out if we can play a more effective role in the European marketplace."
He conceded that Citibank had not focused on Europe as much as a home for its foreign exchange business.
Mr Weill also said he was optimistic about Salomon Smith Barney's joint venture with Nikko Securities in Japan, launched last month, which was already profitable. He said: "When the Japanese economy improves, that joint venture will be really outstanding."
The integration of the former Citicorp's corporate banking business into Salomon Smith Barney was initially a serious problem for the company, and was highlighted by the departure of Jamie Dimon as Citigroup president last November.
Mr Weill claimed that during the first quarter "there were approximately 60 deals that were done with Citibank and Salomon working together that wouldn't have been done without that."
He added that Salomon's financial consultants had generated referrals for approximately \$300m in Citibank mortgage during the quarter.
Mr Weill also said the company continued to invest in new distribution systems, taking a \$8m loss on its "e-Citi" initiative, which invests in research into electronic commerce. This was a 20 per cent greater loss than in the equivalent period last year.
By mid-session, Citigroup's shares had gained 4 per cent, up 63 1/2 at \$74 1/2.
Fortunes diverge, Page 20

Compaq at the crossroads after Pfeiffer's departure

By Louise Kehoe in San Francisco

The weekend drama at Compaq Computer, where Richard Pfeiffer, chief executive, was ousted by the board of directors, and Earl Mason, chief financial officer, resigned, did little to cheer shareholders yesterday.
Its shares were trading at 28 1/2 in mid-session, down 1/2 from Friday's close and near a 12-month low of 22 1/2.
While the management changes may help repair relations between Compaq and Wall Street analysts, whose confidence was shaken by the company's surprise profit warning earlier this month, several uncertainties remain.
On Wednesday, Compaq is scheduled to release its first quarter financial results. The company has warned that earnings are expected to be about 15 cents a share, far below analysts' predictions of around 31 cents. However, it remains to be seen which segments of Compaq's business underperformed in the first quarter, and to what effect the acquisition last year of Digital Equipment had on earnings.
Analysts have broadly rejected Compaq's initial explanation for the earnings disappointment. Compaq said industry-wide pricing pressures and slack demand for PCs from US corporate buyers were to blame, but there is a growing consensus among industry analysts that Compaq's management failed to keep pace with rapid changes in the PC market.
Ben Rosen, Compaq chairman who has taken on the role of interim chief executive while the company searches for a replacement for Mr Pfeiffer, told Wall Street analysts the management changes did not signal that first quarter earnings were expected to be worse than flagged.
With Mr Pfeiffer's departure, the big question is who will run Compaq in the future? In the meantime Mr Rosen, with two other non-executive directors, will form a temporary "office of the chief executive".
"This will not be a caretaker move," Mr Rosen said. "We are on site [at Compaq headquarters in Houston] and making decisions." Those decisions are expected to include additional management changes. Mr Rosen made clear he would be moving to accelerate decision making.
Finding a new chief executive may prove difficult. The company had engaged search firms to look worldwide, Mr Rosen said. Any new chief executive faces the prospect of being second-guessed by Mr Rosen, who has been an active chairman. The next chief executive might also wonder whether he or she would eventually follow in the footsteps of Mr Pfeiffer and his predecessor, Rod Canlon, both ousted by Mr Rosen.
Yesterday Mr Mason was appointed chief executive of Alliant Food Services, a Chicago-based food distribution group.
Observer, Page 15
Last, Page 16

CONNEX
Vitalair Sun & Line
MobiFon S.A.
a company operated by
TTW
Telecom International Wireless Corporation B.V.
and
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USD 105,000,000
Senior facilities to finance the expansion of
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EXPORT CREDIT INSURANCE PROVIDED BY
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January 1999

COMPANIES & FINANCE: EUROPE

RETAILING MERGER SPARKS SPECULATION ABOUT FURTHER EUROPEAN CONSOLIDATION AS CASINO AND CORA LINK BUYING OPERATIONS

Schickedanz, Karstadt in mail order deal

By Tony Barber in Frankfurt and David Owen in Paris

Schickedanz, the privately owned German retailer, announced plans yesterday to merge its mail order business with Karstadt, Germany's biggest department store company, in a step that reflects the increasingly intense competition in Europe's retail sector.

Karstadt's share price jumped by almost 8 per cent

after the company said it would ask shareholders at its annual general meeting on July 15 to approve the merger with the mail order house Quelle.

Shares also rose in other European retailers as investors expressed optimism that the continent's retail sector, long divided into relatively small national fragments, was heading for a phase of consolidation and cross-border expansion.

Two French retailing groups - Casino and Cora - said they had agreed to merge their purchasing operations into a joint venture - Opéra - which will buy supplies for hypermarkets, supermarkets and convenience stores whose total annual sales amount to FF170bn (€26bn, \$28bn). Cora is 42.3 per cent-owned by Carrefour, another French retailer, which had no comment yesterday.

Approval of the Schickedanz-Karstadt deal is considered virtually certain, since Schickedanz has built up a 48 per cent stake in Karstadt over the past two years.

The new group, to be based in Essen and called Karstadt Quelle, would have a combined turnover of DM33bn (€16.8bn, \$18bn), making it one of the largest in Europe.

"The path on which we

embarked in August 1997 by buying into Karstadt will be completed with the merger," said Andreas Neuner, a Schickedanz spokesman. "We expect a boost in employment as a result of joint tapping of new markets at home and abroad."

Among those benefiting from yesterday's wave of confidence on the stock market was Metro, Karstadt's main German rival and the world's second biggest

retailer in terms of sales after Wal-Mart of the US. Shares in Metro closed more than 3 per cent higher in Frankfurt.

The decision of Metro and other German retailers to streamline their operations and seek new markets in the euro-zone owes much to Wal-Mart's recent expansion into Germany, where its aggressive discounting strategy has begun to shake up old habits.

Volvo outlines use of Ford cash

By Tim Burt in Stockholm

Volvo, the Swedish automotive group, yesterday announced a SEK26.7bn (\$3.2bn) capital gain on the sale of its car division to Ford of the US and pledged to use the proceeds for a share buy-back and acquisitions in its five remaining business areas.

The company, which is to sell its car arm to Ford for SEK50bn, said the disposal had lifted its net cash reserves to SEK54.1bn at the

end of the first quarter - up from SEK14.8bn at the end of last year.

Leif Johansson, chief executive, re-affirmed plans to buy back SEK10bn of shares and welcomed the Swedish government's decision to introduce legislation permitting such buy-backs.

He also said Volvo would use its strong cash position to make bolt-on acquisitions in areas such as trucks, buses and construction equipment.

But he declined to com-

ment on Volvo's pursuit of Scania, the Swedish heavy truck maker in which it has acquired a near-13 per cent stake for SEK5.2bn.

He was speaking after Volvo announced a 15 per cent increase in underlying first quarter profits, with operating income up from SEK1.06bn to SEK1.23bn on sales ahead 10 per cent from SEK24.6bn to SEK27.1bn.

The figures, excluding contributions from the car division, mainly reflected higher profits in the trucks busi-

ness - up from SEK636m to SEK917m. That offset a poor performance by the bus division, which reported a SEK6m loss following weak demand in Latin America and restructuring costs.

Industry analysts also expressed concern at falling profits in construction equipment, down from SEK297m to SEK183m amid production and inventory problems in some markets.

Volvo's most commonly traded B shares fell SK7 to SKR225.



Ring in the changes: Emilio Botín, left, and José Mari Amundegui, joint chairman of Banco Santander Central Hispano, yesterday launched the shares of the newly merged bank. BSCH lost ground soon after its market debut in Madrid, closing at €21.62. AP

Gucci suggests LVMH offers it \$88-a-share

By Alice Rawsthorn in London and David Owen in Paris

The board of Gucci, the embattled Italian fashion company, has written to LVMH, the French luxury goods group, promising to recommend acceptance of an LVMH offer if the latter raises its conditional \$88-a-share offer to an unconditional one of \$98, thereby valuing Gucci at \$9bn.

The decision to send the letter, described by one

Gucci executive as "put up, or shut up for LVMH", was taken at a meeting of Gucci's supervisory board on Sunday.

It was dispatched yesterday, a few days before a critical court case, starting on Thursday, that will determine the outcome of the Gucci battle.

LVMH described Gucci's latest proposal as "a torpedo without a warhead". The French group claims that it is impossible to mount a suc-

cessful offer to secure control of Gucci because of the 42 per cent stake issued to Pinault-Printemps-Redoute (PPR), the French retail concern founded by François Pinault, a former ally of Bernard Arnault, LVMH's chairman.

The legality of the PPR stake, for which the Pinault group paid \$2.9bn, and a previous issue of 20m shares (the same number that LVMH owns) to Gucci employees will be addressed

in the court case starting at the Amsterdam Court of Appeal on Thursday.

LVMH indicated yesterday that it was unlikely to amend its \$86 offer before Thursday's hearing. "There is absolutely nothing in Gucci's letter that changes the chances of success for an offer," commented one executive, who alleged that Gucci had sent the letter to distract investors' attention from LVMH's quarterly results.

After the results announcement, LVMH's shares rose by €21.50, or 10 per cent, to €336.50 in Paris. Gucci's shares were also up by €3.65, or 5.2 per cent, to €74.40 in Amsterdam.

LVMH mustered a 12.6 per cent advance in sales, which rose to €1.76bn from €1.66bn in the three months to March 31. Improvements ranged from nearly 30 per cent in the champagnes and wines unit (34 per cent on a constant basis) to 3.8 per

cent in selective retailing.

The French group said that sales of DFS, its duty-free chain, were ahead of budget, although lower than a year earlier because of the closure of certain stores. It said the year-on-year overall sales advance for March reached 18 per cent.

Turnover in fashion and leather goods, which includes Louis Vuitton luggage and the Givenchy fashion house, increased by 12 per cent.

TELECOMMUNICATIONS ITALIAN GROUP WILL NOT BACK DOWN DESPITE DEUTSCHE TELEKOM'S MERGER PLAN

Olivetti sticks to hostile bid for Telecom Italia

By Paul Britts in Milan and Vincent Haines in London

Roberto Colaninno, Olivetti chief executive, insisted yesterday that his company would go ahead with its €60.4bn (\$64.6bn) hostile bid for Telecom Italia despite today's expected announcement of a blockbuster merger between the Italian operator and Deutsche Telekom.

The disclosure of the proposed merger had sparked frantic political manoeuvring in Rome amid suggestions that political pressure

was being put on Mr Colaninno to negotiate a deal with Telecom Italia's core shareholders to involve Olivetti in the Deutsche Telekom deal.

Olivetti, it was argued, would help reinforce the Italian component in Telecom Italia's shareholding structure to boost the Italian voice in any eventual merger with the German company. But Mr Colaninno made it clear yesterday that he was carrying on with his bid and wanted the market to decide the outcome.

Officially, Olivetti said it was not in a position to give

any assessment of the proposed merger. But it said it shared in principle the Italian government's view "that parity and genuine privatisation of Deutsche Telekom are prerequisites for such a project".

Olivetti has clearly been taken aback by Telecom Italia's talks with Deutsche Telekom. The Olivetti camp considers the proposed merger is a desperate attempt to thwart its takeover bid and questions the logic of mating two telecommunications elephants.

Analysts said Olivetti was

not yet out of the race to win Telecom Italia, which has been frantically trying to shake off its predator. But they doubted whether Olivetti had the ability to increase its already highly leveraged bid for its target, which is five times its size.

"If the Deutsche Telekom/Telecom Italia merger goes ahead it will likely be all paper," said Roberto Oderina, telecoms analyst at Société Générale in Milan. "A strong point of the Olivetti bid is its cash component, and while it will be

very hard to increase it, it's certainly not out of the game yet."

Olivetti's freedom to trump the proposed merger could depend on the extent of its agreement with Mannesmann, the German operator, to which it is to sell its Italian mobile telephone interests - which they jointly own - if its bid for Telecom Italia is successful.

There was speculation yesterday that Deutsche Telekom, by linking with Telecom Italia, was seeking to counter a competitive threat in Italy from Mannesmann,

whose position in that market will be considerably strengthened by its purchase of Olivetti's stake in the Olman joint venture.

Olivetti is awaiting final approval from Consob, the Italian stock market regulator, for its bid prospectus. It needs permission by Thursday to meet its end of April deadline to launch the bid.

If it fails, Telecom Italia would no longer be tied down to the "passivity" rules of the Italian takeover code and would be free once again to organise its defences.

NEWS DIGEST

AIRLINES

AUA hopes to raise €250m with new equity

Austrian Airlines (AUA), one of Europe's fastest-growing and most profitable carriers, is seeking to raise around €250m (\$268m) in new equity to reduce its gearing and help finance expansion. This is the first equity-raising exercise in nearly a decade for the airline, which has staged a dramatic turnaround over the last five years. It plans to issue 8m new shares through a rights issue of four new shares for every 13 held.

The new issue, which will double the free float of AUA shares and dilute the Austrian government's stake to under 40 per cent, follows the best year in the airline's 40-year history. Five years ago Austrian Airlines was in serious financial trouble after four years of losses. However, a new management team, led by Herbert Bammer and Mario Reihuber, has transformed a loss-making regional airline into a fast-growing international niche operator. Staff and operating costs have been cut by a fifth.

AUA plans to spend €1.5bn over the next five years modernising its fleet and expanding its size from 83 to 100 aircraft. It is budgeting on growth of 14.6 per cent a year in its regional airline capacity and 13.5 per cent a year in long-haul capacity. William Hall, Vienna

SEMICONDUCTORS

STM proposes 'poison pill'

STMicroelectronics (STM), the Franco-Italian semiconductor manufacturer, outlined proposals yesterday for a "poison pill" to protect it from hostile takeover, triggering speculation that a further reduction in the proportion of its capital held by state-controlled groups could be in the offing. The company said it intended to request authorisation to issue up to 180m new preference shares at par value, entitling the holder to full voting rights. These would be issued to STMicroelectronics Holding II BV, a joint holding company grouping the 56 per cent in STM owned by French and Italian state-controlled entities.

The move prompted speculation that one or more of these entities might be planning to sell some or all of their STM shares. "It would probably not surprise the market if they sold more," said Charles Elliott, an analyst with Goldman Sachs. "And as they sold more, the company may need protection from a hostile takeover."

The 12-year-old company also proposed its first dividend - of 16 cents a share in cash - and said it would propose a two-for-one stock split. The effective date of the split would be June 16, a day after the dividend would be payable. All these initiatives are to be presented for shareholder approval at the group's annual general meeting, scheduled for May 31 in Amsterdam. Mr Pistorio said the aim of the proposed stock split was to make STM shares more accessible to a broader group of potential shareholders and to increase trading liquidity.

Yesterday's developments came as the company, the former SGS-Thomson, announced a 16.5 per cent increase from \$90.2m to \$105.1m in first-quarter net income, achieved on net revenues up from \$1.01bn to \$1.11bn. David Owen, Paris

PULP AND PAPER

Soporcel offer brings €14.5bn

A global offer of 13.78 per cent of Soporcel, the Portuguese pulp and paper group, raised €14.5bn (£72m, \$77m) yesterday. The institutional offer of 4.84m shares was more than five times subscribed, and small investors placed orders for more than nine times the 4m shares on offer in the retail tranche. The price was fixed at €1.665 a share, at the lower end of the pre-established range but a discount of more than 13 per cent on Friday's closing price of €1.924. The shares closed at €1.804 yesterday. Global co-ordinators were Banco Cist and BES Investment, both Portuguese investment banks, and Schroders of the UK. The Portuguese state and Arjo Wiggins Appleton, the Anglo-French paper group, sold 11 and 3 per cent respectively to reduce their stakes in Soporcel to 40 per cent each. Peter Wise, Lisbon

This announcement appears as a matter of record only.



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US\$ 55,000,000
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Arrangers	
Bayerische Hypo- und Vereinsbank AG	Crédit Agricole Indosuez
Co-Arrangers	
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Lead Managers	
American Express Bank GmbH	Arab Banking Corporation (S.S.C)
Bayerische Landesbank Girozentrale	Standard Chartered Bank
Managers	
Banco di Napoli SpA - London Branch	Banco di Sicilia SpA - London Branch
Bankgesellschaft Berlin Group	BG Bank
KBC Banking & Insurance	NatWest Bank PLC
Banca CRT SpA	Banca Monte dei Paschi di Siena SpA
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Bank of Ireland	Christiania Bank og Kreditkasse ASA
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Agents	
Crédit Agricole Indosuez	



CREDIT AGRICOLE INDOSUEZ

HypoVereinsbank

March 1999

PIRELLI TYRE HOLDING N.V.

Established in Amsterdam

Shareholders are herewith invited to attend the annual

General Meeting of Shareholders

to be held on Friday 7 May 1999 at 15.00 hours in the New York banquet room of the World Trade Center, Strawinskylaan 1, Amsterdam.

The agenda is as follows:

1. Opening
2. Report of the Board of Management for 1998
3. Discharge
4. Adoption of the annual accounts for 1998 and allocation of the net result
5. (Re)appointment of members of the Supervisory Board
6. Appointment of members of the Board of Management
7. Reduction of share capital by amendment to the articles of association
8. Change of auditors
9. Announcements, questions, close

Regarding the (re)appointment of the members of the Supervisory Board and the Managing Board, no binding nomination has been made.

It is proposed to reduce the value of the shares from NLG 10.- to € 4.50, in connection with the introduction of the Euro. The difference per share ad € 0.04 will be added to the share premium reserve. This reduction of the share capital will be effected by an amendment to the articles of association.

The annual report, including the comprehensive agenda for this meeting, and the financial statements for the year 1998 as well as the details with respect to the members of the Supervisory Board to be (re)appointed are available for inspection at and may be obtained free of charge from the Company's office and the principal offices of the below mentioned banks.

Holders of bearer shares who (in person or by proxy) wish to attend the meeting must have lodged their shares not later than Monday 3 May 1999 at one of the following banks who will subsequently send them a receipt which will serve as entrance ticket:

in the Netherlands at MeePierson N.V., Amsterdam
in Belgium at Generale Bank, Brussels
in Germany at Dresdner Bank A.G., Frankfurt a.M.
in Italy at Credito Italiano, Milan
in Switzerland at Swiss Bank Corporation, ZürichThe Board of Management
The Supervisory Board20 April 1999
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مكتبة الامير

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COMPANIES & FINANCE: THE AMERICAS

FINANCIAL SERVICES CITIGROUP OUTSTRIPS RESULTS OF BANKAMERICA

Big banks' fortunes diverge

By John Authers in New York

Citigroup and BankAmerica, the two largest US banks, yesterday produced dramatically contrasting results for the first quarter.

Both were formed by "mega-mergers" announced last April and completed in October (Citicorp merged with Travelers and NationsBank merged with BankAmerica). During the first quarter they both benefited from healthy conditions for banks in the US and from the rebound in global capital markets. Both produced earnings ahead of expectations and saw their shares rise more than 3 per cent in early trading.

But the two banks' share price performance for the year to date is more revealing. Citigroup's share price has gained about 32 per cent while BankAmerica's has risen 26 per cent.

This reflects the differing strategies the two companies are taking in integrating their mergers.

BankAmerica, true to the aggressive cost-cutting style of Hugh McColl, its chief executive and the former head of NationsBank, managed a sharp reduction in costs, but this was combined against the trend for US banking - with a decline in revenue.

Net interest income, from loans and deposits, was roughly static at \$4.66bn.



Hugh McColl: merger benefits soon to show through

while non-interest income, from such activities as investment banking and fund management, fell 8 per cent to \$2.22bn.

Total non-interest expense fell by more than 5 per cent to \$4.45bn, thanks in part to cost savings from acquisitions. NationsBank carried out before the merger with BankAmerica, while expense on personnel dropped by more than 4 per cent. The efficiency ratio, expressing non-interest expenses as a proportion of total revenue, fell from 37.72 to 36.59 per cent.

As a result, operating profits, excluding merger charges, slipped slightly from \$1.973bn in the first quarter last year, to \$1.914bn.

and enhanced revenue opportunities" to boost earnings in coming quarters.

At Citigroup, consumer businesses were boosted by a 75-per cent increase in profits from North American credit cards, which benefited from the acquisition of a large portfolio from AT&T last year. Its total revenues rose by 40 per cent, on the back of a 48 per cent growth in receivables to \$69bn.

Citibanking, the company's branch network, saw a 200 per cent increase in income to \$75m, driven both by a 12 per cent reduction in fixed expenses and revenue growth of 7 per cent.

Beyond the consumer businesses, the bank benefited from a sharp rebound at its Salomon Smith Barney investment brokerage, which suffered more than most Wall Street firms during last year's Russian financial crisis. Its earnings for the quarter reached \$648m, a 48 per cent increase over the first quarter of last year, on the back of revenues which increased from \$2.9bn to \$3.3bn.

Emerging markets income increased 22 per cent from the first quarter of last year, to \$321m. Revenues rose 18 per cent, while expenses rose 5 per cent as the company attempted to expand. Credit write-offs increased significantly over the year, by \$65m to \$115m, mostly due to problems in Asia.

Meanwhile, revenues at Citigroup rose by 15 per cent compared with the combined companies a year earlier, to \$14.5bn, thanks mainly to the 31 per cent growth in its global consumer operations. Profits, excluding charges, rose 12 per cent to \$2.42bn.

Thomas Hanley, banking analyst at Warburg Dillon Read, said: "The comparison is there and it's a dramatic one. If you are too heavy-handed in terms of the expense-cutting, it's going to be ultimately done at the expense of revenue generation and perhaps even credit quality. That's the key point."

Mr McColl said the merger transition was "on track", and added that he expected the benefits of "lower costs

DTT to integrate firms into global structure

By Jim Kelly, Accountancy Correspondent

Deloitte Touche Tohmatsu, the global Big Five firm, has announced plans to integrate financially its national firms into a single organisation covering 90 per cent of its \$6bn revenues within two to three years.

The firm, which stood aside from the bout of mega-mergers in the sector in 1997-98, will immediately start aligning the individual firms' rules and procedures under a new global management team.

Jim Copeland, chief executive of the US firm, has been confirmed as global chief executive after a vote of senior partners meeting in London, representing 10,000 partners and 82,000 staff worldwide in 130 countries.

"To keep pace with clients we must become even more flexible, nimble, responsive - and global," he said.

All of DTT's Big Five rivals have made moves towards global integration, with Arthur Andersen and PwC being seen as leaders. Ernst & Young and KPMG have also announced plans to integrate.

DTT sees its two-stage reforms as more pragmatic and long-lasting.

Ed Kangas, who steps down as global chief executive after more than a decade but continues as chairman of the board, said getting the individual firms aligned would lead to genuine integration and avoid the "dogfights" which have hit rivals.

DTT is likely to base its integration on the highly successful globalisation of its separate consulting practice which saw a 40 per cent rise in revenues in 1998. "It has worked brilliantly and we believe we can follow in their footsteps."

Mr Copeland comes to the

office on the back of outstanding results from DTT which saw revenues rise by 22 per cent in 1998. The firm is fourth in the global revenue league above Arthur Andersen. Profits are not disclosed.

While he said he hoped organic growth would continue, he did not rule out the kind of poaching of rival practices being pursued by Arthur Andersen.

"Certainly if there were opportunities that popped up we would consider them," he said.

In the long term, Mr Copeland said that if regulators had serious concerns about auditor independence within the Big Five then DTT could again build on its experience with consulting to create a separate but linked audit arm.

"If it's required then Deloitte & Touche Consulting is a good model," he said.

Teck to raise C\$125m via convertible debenture

By Edward Alden in Toronto

Teck Corporation, the Canadian gold and copper producer, said yesterday it would go to the Canadian capital markets with a C\$125m (US\$84m) convertible debenture, the first big placement by a Canadian minerals company since metals prices were hit by the Asian financial crisis in 1997.

The offering will be backed by shares in Cominco, the Canadian copper producer in which Teck owns a 39 per cent share.

The debenture will be exchangeable for Cominco shares or, at Teck's option, cash equivalent or an equivalent value of Teck subordinate voting shares.

The interest rate on the debenture will be 2 per cent above the Cominco dividend rate, or 3.28 per cent currently. The private placement is being underwritten by TD Securities and Grifts McBurney & Partners.

Canadian mining companies have generally been unable to raise funds through corporate debt or new equity issues because of two years of weak earnings and low share prices. But most have also been paring operating expenses in an effort to position themselves for a rebound in metals prices.

Analysts said that the placement was evidence of a strengthening market for cyclical stocks such as mining and metals issues.

"This is the first company where we've seen this happen but we're going to see more," said John Lydall, analyst with

First Marathon Securities. The convertible debenture structure is particularly attractive because the company is effecting a portion of its raise money without assuming any additional debt load beyond a modest interest payment.

Teck's stake in Cominco is looking increasingly attractive after Cominco reported stronger than expected results in the fourth quarter last year.

Teck announced yesterday it would purchase an additional 1m Cominco shares through private transactions and would seek to acquire another 500,000.

If Teck buys more than 1m shares, the underwriters of the deal will have the option to purchase up to an additional C\$25m in debentures.

The picture is complicated by the fact that Infonet is owned by the three owners of Unisource together with Telefonica of Spain, Telstra of Australia and KDD of Japan. Separately, KDD and Singapore Telecoms have announced plans to collaborate on a shared network.

The acquisition of AUCS by Infonet would create a global voice and data carrier capable of delivering communications services to more than 50 per cent of the world's leading enterprises.

It would be a competitor of Equant, the carrier based on the airline's international network and, eventually, of the global network being established by AT&T and BT.

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Mr Gaisford said Amerada's talks with Petrobras and the government lasted three years. He added he was still holding out for improvements in the contract.

Amerada wants the three-year exploration period to be extended; wants the tax regime to be altered; and wants the right to export any oil it finds to be formalised in a contract.

Petrobras lost its constitutional monopoly in 1998 and the government plans to reduce its holding to 51 per cent this year by selling a 30 per cent stake on local and international markets.

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Petrobras plans to invest R\$2.3bn (\$1.38bn) this year to raise oil production 30 per cent to 1.2bn bpd, increasing to 1.5bn bpd in 2000. However, analysts doubt it will be able sharply to increase production alone, forcing it

Notice of Invitation by

Federative Republic of Brazil

to Owners of

U.S.\$5,430,657,000 EI Series I Bonds Due 2006 (the "EI Bonds") and

U.S.\$7,126,924,000 Series A-I IDU Bonds Due 2001 (the "IDU Bonds")

to tender EI Bonds and IDU Bonds (collectively, "Brady Bonds") in exchange for U.S. Dollar-Denominated Global Bonds Due 2004 (the "Global Bonds").

THE EXCHANGE OFFER AND WITHDRAWAL RIGHTS WILL EXPIRE AT 3:00 P.M. (NEW YORK CITY TIME) ON APRIL 23, 1999, UNLESS EXTENDED OR EARLIER TERMINATED.

The Federative Republic of Brazil (the "Republic") is inviting owners of Brady Bonds (each, a "Bondholder") to tender their Brady Bonds in exchange for Global Bonds, on the terms and subject to the conditions set forth in a Prospectus Supplement dated April 19, 1999, the accompanying Prospectus and the related letter of transmittal (the "Exchange Offer"), copies of which may be obtained as described below. Simultaneously with the Exchange Offer, the Republic is offering to the public, by means of the Prospectus Supplement and accompanying Prospectus, additional amounts of Global Bonds to be purchased for cash through an underwritten offering (the "Global Bond Offering"). The Global Bonds will be direct, unsecured, general and unconditional obligations of the Republic. Interest on the Global Bonds will accrue from the Settlement Date (as defined below) and will be payable semi-annually in arrears on April 15 and October 15 of each year, commencing on October 15, 1999. The Global Bonds will mature on April 15, 2004 and will not be redeemable prior to maturity or entitled to the benefit of any sinking fund.

Calculation of Principal Amount of Global Bonds To Be Received in Exchange for Brady Bonds

Global Bond Spread and Brady Bond Spread: At or around 3:00 P.M., New York City time, on the Trading Day (as defined below) before the Expiration Date (as defined below), the Republic at its discretion will set the interest rate on the Global Bonds and the issue price, yield to maturity and principal amount of the Global Bonds to be issued for cash. At this time, the Global Bond Spread will be set and will be equal to the yield to maturity described in the previous sentence minus the UST Benchmark Rate as of the time such yield to maturity is set. By 5:00 P.M., New York City time, on the same day, the Republic will set each Brady Bond Spread Differential, which will be used in the determination of each Brady Bond Purchase Price and, ultimately, each Brady Bond Exchange Ratio, all as more fully described below.

Principal Amount of Global Bonds To Be Received: Each Bondholder exchanging Brady Bonds for Global Bonds pursuant to the Exchange Offer will receive, for each U.S.\$1,000 in original principal amount of Brady Bonds tendered for exchange, a principal amount of Global Bonds equal to the product of (a) U.S.\$1,000 and (b) the applicable Brady Bond Exchange Ratio. The applicable Brady Bond Exchange Ratio will be the ratio of the principal amount of Global Bonds payable to the nearest multiple of U.S.\$1,000, and the difference between that ratio and the ratio of the principal amount of Global Bonds payable to the nearest multiple of U.S.\$1,000, will be paid in cash. In addition, each Bondholder exchanging Brady Bonds for Global Bonds pursuant to the Exchange Offer will receive in cash accrued but unpaid interest on such Brady Bonds to (but not including) the Settlement Date of the Exchange Offer, which will also be the settlement date of the Global Bond Offering.

Brady Bond Exchange Ratio: The "Brady Bond Exchange Ratio" for the EI Bonds will equal the product of (a) the quotient resulting from the division of the Brady Bond Purchase Price for the EI Bonds by the Global Bond Exchange Price and (b) 0.950, being the amortization factor that will be in effect as of the Settlement Date for the EI Bonds. The "Brady Bond Exchange Ratio" for the IDU Bonds will equal the product of (a) the quotient resulting from the division of the Brady Bond Purchase Price for the IDU Bonds by the Global Bond Exchange Price and (b) 0.492, being the amortization factor that will be in effect as of the Settlement Date for the IDU Bonds.

Brady Bond Purchase Price: The "Brady Bond Purchase Price" will equal the value (adjusted for accrued interest, if any) per U.S.\$1,000 original principal amount of the EI Bonds or IDU Bonds, as the case may be, of all remaining payments of principal and of interest on such bond to be made through its maturity date discounted to the Settlement Date at the applicable Brady Bond Purchase Yield, assuming that (a) all payments under this bond are made when scheduled and (b) the interest payments on this bond (which adjust semi-annually) are swapped to a fixed rate of interest using the applicable Bloomberg pricing page, after entering the applicable Brady Bond Purchase Yield, the Settlement Date and the Par Swap Curve into that pricing page. The "Par Swap Curve" will be a series of rates for par interest rate swaps, based on the average of quotes on the Expiration Date obtained from three dealers (selected by the Dealer Managers), for interest rate swaps maturing in six months, one year, two years, five years and ten years, under which the dealer would pay U.S. dollar fixed rate interest payments and receive U.S. dollar three-month LIBOR interest payments.

Brady Bond Purchase Yields and Spread Differentials: Each "Brady Bond Purchase Yield" will equal the sum of (a) the UST Benchmark Rate on the Expiration Date, (b) the Global Bond Spread and (c) the applicable Brady Bond Spread Differential. Each "Brady Bond Spread Differential" will be a spread selected by the Republic at its sole discretion by 3:00 P.M., New York City time, on the Trading Day prior to the Expiration Date. However, the Brady Bond Spread Differential for the EI Bonds will be no greater than 175 basis points, and the Brady Bond Spread Differential for the IDU Bonds will be no greater than 75 basis points. With respect to the IDU Bonds, it is possible that the Republic may select a Brady Bond Spread Differential that is less than zero.

Global Bond Exchange Price and Exchange Yield: The "Global Bond Exchange Price" will equal the value (adjusted for accrued interest, if any) per U.S.\$1,000 principal amount of Global Bonds of all payments of principal and of interest on such bond to be made through its maturity date discounted to the Expiration Date in accordance with standard market practice. The "Global Bond Exchange Yield" will equal the sum of (a) the UST Benchmark Rate on the Expiration Date and (b) the Global Bond Spread, as described above under "Global Bond Spread and Brady Bond Spread".

UST Benchmark Rate: At any time, "UST Benchmark Rate" means the yield to maturity (calculated in accordance with standard market practice) corresponding to the bid-side price, as reported at that time by the Cantor Fitzgerald Securities U.S. Treasury Quotation Service on the Telerate Page 300, for the 4 3/4% U.S. Treasury Note due February 15, 2004.

Limits on the Exchange Offer; Proration; Participation by the Republic and the Dealer Managers

The aggregate principal amount of Global Bonds to be issuable pursuant to the Exchange Offer and the Global Bond Offering may not be less than U.S.\$1,000,000,000. The Republic reserves the right at its sole discretion to accept any tender for exchange. If the Republic determines to accept any tenders for exchange, the Republic at its sole discretion will select the aggregate principal amount (which may be zero) of Brady Bonds of each type to be acquired pursuant to the Exchange Offer. If the aggregate amount of Global Bonds to be exchanged for a type of Brady Bonds exceeds the amount selected by the Republic with respect to that type, the tenders for exchange of that type of Brady Bond will be subject to proration.

None of the Republic, Banco Central do Brasil or any of the Republic's governmental agencies will be permitted to submit tenders for exchange.

The Republic may accept tenders for exchange submitted by the Dealer Managers made in accordance with the Exchange Offer. If Bondholders tender Brady Bonds such that at least U.S.\$500,000,000 in aggregate principal amount of Global Bonds are issuable from the Exchange Offer, the Republic will have the option to require the Dealer Managers to tender Brady Bonds in an aggregate original principal amount such that the Dealer Managers will receive, pursuant to the terms of the Exchange Offer, the lesser of (a) U.S.\$250,000,000 aggregate principal amount of Global Bonds and (b) that amount of additional Global Bonds as would be necessary to ensure that an aggregate of U.S.\$1,000,000,000 of Global Bonds be issued pursuant to the Global Bond Offering and the Exchange Offer.

Procedures for Offering

A Bondholder desiring to submit a tender for exchange of its Brady Bonds must, on or before the Expiration Date, deliver a duly completed letter of transmittal to the Exchange Agent. Any letter of transmittal with respect to Brady Bonds held at Euroclear System ("Euroclear") or Cede Bank, *seu alterius* ("Cede Bank"), must be completed by the direct participant in Euroclear or Cede Bank through which the Brady Bonds are held. In the case of Brady Bonds not held at Euroclear or Cede Bank, a Bondholder wishing to submit a tender for exchange must either (a) first arrange to have the Brady Bonds held at Euroclear or Cede Bank or (b) contact the Information Agent concerning other acceptable procedures for tendering and delivering Brady Bonds. In addition, the direct participant in Euroclear or Cede Bank completing the letter of transmittal must deliver to Euroclear or Cede Bank, as the case may be, Bond Instructions (as defined in the Exchange Offer materials). In no event should letters of transmittal be transmitted to the Information Agent, the Dealer Managers, Banco Central do Brasil, any other agency of the Republic or Euroclear or Cede Bank.

Term of Exchange Offer; Termination; Amendment

The Exchange Offer will expire at 3:00 P.M., New York City time, on April 23, 1999, unless extended by the Republic in its sole discretion or earlier terminated (such date and time, as so extended, the "Expiration Date"). The Republic may in its sole discretion terminate the Exchange Offer (including with respect to tenders for exchange submitted prior to the time of such termination), amend it past the originally scheduled Expiration Date or amend it from time to time in any fashion, at any time before the Republic announces the acceptance of any tenders for exchange, by press release issued to Bloomberg News, the Dow Jones News Service and the Reuters News Service (collectively, the "News Service").

Publication

At the end of each Trading Day from the date of the Prospectus Supplement through the Expiration Date, information about the Exchange Offer (including an updated hypothetical example of the Brady Bond Purchase Prices, the Global Bond Exchange Price and the Brady Bond Exchange Ratios) will be displayed on Telerate pages 5876 and 5887.

Not later than 5:00 P.M., New York City time, on the Trading Day immediately preceding the Expiration Date, or as soon thereafter as practicable, the Republic will announce, by press release issued to the News Service, the Global Bond interest rate, the Global Bond Spread and each Brady Bond Spread Differential. And, not later than 6:00 P.M., New York City time, on the Expiration Date, or as soon thereafter as practicable, the Republic will announce, by press release issued to the News Service, whether any Brady Bonds have been accepted for exchange, and, if so, (a) the Global Bond Exchange Price and Exchange Yield, (b) each Brady Bond Purchase Price and Purchase Yield, (c) each Brady Bond Exchange Ratio and (d) the UST Benchmark Rate and the Par Swap Curve as of the Expiration Date.

Not later than 9:00 A.M., New York City time, on the first Trading Day after the Expiration Date, or as soon thereafter as practicable, the Republic will announce, by press release issued to the News Service, the results of the Exchange Offer. The results will also be published in the *Luzerner Wort*.

Settlement

The "Settlement Date" for the Exchange Offer will be the fifth Trading Day following the Expiration Date (or, if such Trading Day is not a Business Day, the next succeeding Trading Day which is a Business Day). As used herein, "Business Day" means any day on which Euroclear, Cede Bank, the fiscal agent for the Global Bonds, the Exchange Agent and commercial banks in the State of New York are all open for business; and "Trading Day" means a day other than a Saturday, a Sunday or a day on which the New York Stock Exchange is not open for trading.

Neither the Republic nor the Dealer Managers make any recommendation that Bondholders offer to exchange Brady Bonds for Global Bonds or refrain from offering to do so pursuant to the Exchange Offer, and no one has been authorized by the Republic or the Dealer Managers to make any such recommendation. Bondholders must make their own decisions as to whether to exchange Brady Bonds for Global Bonds pursuant to the Exchange Offer, and, if so, the principal amount of Brady Bonds to offer to exchange.

Bondholders may contact (a) the Exchange Agent for assistance in completing and delivering letters of transmittal, (b) either Dealer Manager for answers to questions concerning the terms of the Exchange Offer and (c) the Information Agent or either Dealer Manager for additional copies of the Exchange Offer materials, in each case at the telephone numbers listed below.

Facsimile copies of letters of transmittal will be accepted. Letters of transmittal and any communications related thereto should be sent or delivered to the Exchange Agent at the address set forth below.

Approximately 90 ISINs are assigned to the IDU Bonds, a list of which is provided in the Prospectus Supplement.

The Information Agent for the Exchange Offer is:

ChaseMellon Shareholder Services

c/o Chase Business Services

Cheside Boulevard

Dorset, England BH7 7DB

Telephone: 44-1202-345-277

Inside the U.S.: Toll-Free 800-851-9671

The Exchange Agent for the Exchange Offer is:

Citibank, N.A.

P.O. Box 18073

5 Carmichael Street

London, England EC4Y 0FA

Attention: Global Agency and Trust Services, Reference: Brazil Invitation

Facsimile: 44-171-508-3894

Telephone: 44-171-508-3896

The Dealer Managers for the Exchange Offer are:

Salomon Smith Barney

390 Greenwich Street

New York, New York 10013

Inside the U.S.: Toll-Free 800-558-3745

Outside the U.S.: Call Collect (212) 723-6106

Attention: Liability Management Group

Morgan Stanley Dean Witter

1585 Broadway

New York, New York 10036

Inside the U.S.: Toll-Free 877-693-7733

Outside the U.S.: Call Collect (212) 761-1652

NEWS DIGEST

AUTOMOTIVE PARTS

Dana Corporation lifted 15% by firm US demand

Strong US demand helped Dana Corporation, the automotive parts supplier, to a 15 per cent increase in first-quarter profits, to \$162m. Earnings per share were up from 84 to 97 cents, with sales overall increasing by nearly 5 per cent to \$3.4bn. The news came as Dana said its board had authorised a \$350m stock buy-back plan, to run over the next 12-18 months. The results were roughly in line with analysts' expectations, but Dana shares jumped sharply, by \$4½ to \$51½, on the combined news.

Dana said its South American operations had remained in the black, and its European business had benefited from recent acquisitions and performance improvement, in spite of the sluggish economic conditions. Dana also joined the list of companies reporting some advance in Asia.

"Demand in Asia-Pacific has shown some recent improvement," said Joe Magliochetti, chief executive.

The company saw a sharp improvement in margins in the aftermarket business, to around 10 per cent, and its overall operating margin was up from 8 to 8.3 per cent.

Nikki Tait, Chicago

MOTOR INDUSTRY

GM, Toyota in 'clean car' deal

General Motors and Toyota have signed a five-year agreement jointly to develop new propulsion systems for cars of the future. The agreement, which covers dozens of advanced vehicle projects including fuel cell cars, "could define the future of the automobile," said Henry Pearce, GM's vice-chairman, in Detroit after signing the deal with Toyota's research and development director, Akhiro Wada.

Several hundred engineers will be committed to the joint development projects, which will include all-electric "city" cars and "hybrids" - vehicles using petrol or diesel engines in tandem with electric motors. The collaboration between GM, the world's biggest vehicle maker, and Toyota, Japan's largest, comes less than two months after rival DaimlerChrysler unveiled an environmentally clean fuel cell car based on the Mercedes-Benz A-Class, which co-chairman Juergen Schrepp said would enter commercial production in 2004. John Griffiths, London

ELECTRONICS

Rockwell beats forecasts

Shares in Rockwell rose by \$2½ to \$61½, after the electronics and communications group beat analysts' expectations with a 17 per cent increase in second-quarter profits, to \$143m, with earnings per share up 23 per cent to 74 cents. Forecasts had averaged 70 cents a share. Rockwell said the automation division's sales had been weaker, because of problems in Brazil and lower sales in the motor business, but operating profits were still up from \$147m to \$163m. The avionics/communications side saw sales rise 14 per cent, and operating earnings 58 per cent, to \$123m.

Adding to the market cheer was Rockwell's forecast that it was on track to meet an earnings-per-share target of \$2.90-\$3.00 for the full year, and expected "to be near the high end of that range". Nikki Tait

MERGERS

KPMG Canada chief quits

Spencer Lanthier, the chairman of KPMG Canada who negotiated a deal with rival Big Five firm Arthur Andersen for a controversial merger, has stepped down from his post following the partners' decision to scupper the agreement and accept terms offered by KPMG International. Also stepping down is D. Hugh Bessell, deputy chairman.

Mr Lanthier, 58, was widely criticised for agreeing terms with Arthur Andersen and failing to keep partners informed. He will be replaced by William MacKinnon as interim chairman to "oversee the continued revitalisation of KPMG Canada's relationship as a full member of the KPMG International organisation". While KPMG International said there would be "no reprisals" after the failed merger, it had become clear that Mr Lanthier's position was under threat. A statement said both men were leaving because of a combination of factors including "personal reasons". Jim Kelly

NETWORK SECURITY

Check Point income up 30%

Check Point Software Technologies, the Israeli network security group, said yesterday that strong growth from all products and geographical regions helped to boost net income 30 per cent in its first quarter. Net income jumped from \$15.1m, or 39 cents a share, to \$19.7m, or 49 cents. Revenues climbed 37 per cent to \$43.7m over the same period. In early trading on Nasdaq, Check Point shares jumped more than 8.5 per cent to \$34.

"This was a good solid quarter," said Eric Zimts, analyst at Hambrecht & Quist, the US investment bank. "Check Point executed well where a lot of companies have stumbled, and this is probably a good opportunity for them to continue expanding market share." Check Point is the world leader in network security products.

Avi Machlis, Jerusalem

By Richard Waters in New York

BellSouth, the largest carrier to have avoided the merger scramble in the US telecommunications industry, yesterday unveiled a \$3.5bn investment aimed at plugging the gaps caused by its independent strategy.

The Atlanta-based company announced an agreement to buy 10 per cent of Qwest, a fast-growing carrier close to completing the construction of a national US fibre-optic network.

If successful, the alliance will give BellSouth, the local carrier which dominates the south-east, a way of selling long distance and high speed data services, particularly to large business customers in its home region.

The company's absence from mergers has led to speculation on Wall Street that it would eventually try to buy a long-distance carrier outright, with Sprint, the third-largest, the most likely candidate.

Yesterday's agreement with Qwest appeared to make such an acquisition unlikely. Sprint's shares continued to fall from their recent highs yesterday morning, despite a report in Germany that Deutsche Telekom, which owns 10 per cent of the US company, was in negotiations over an acquisition. One person close

competition from manufacturers of low-cost "clone" PCs. Yet in Europe, where Compaq was thriving.

Within a year of taking the top job, Mr Pfeiffer had put his experiences in Europe to good use. In June 1992 he made the crucial decision to go after market share by slashing prices on existing systems and introducing a new line of low-cost PCs.

The strategy paid off. Although the move marked the beginning of an era of PC price wars, Compaq gained market share and cut costs enabling it to outflank rivals such as IBM, Digital and Hewlett-Packard.

However, Compaq soon faced fierce new competition from Dell Computer, which pioneered a "direct sales" approach in the PC market, selling computers via telephone sales agents and later via the Internet. Despite the cost advantages of direct sales, Mr Pfeiffer was reluctant to abandon the thousands of third-party resellers on whom Compaq had always relied.

Recently, Compaq adopted a modified direct-sales model in which it generated orders for PCs via its web site but fed those orders to resellers for fulfillment. The plan was "too little, too late", critics charged.

Compaq's indirect sales model has made it difficult for the company to compete with Dell, and other direct sellers, on costs.

Another drawback, which emerged a year ago, was that without a direct link to end-users, Compaq could not accurately forecast demand.

Mr Pfeiffer's achievements

Rollercoaster ride



Compaq share price (\$)

Rosen - the chief with his finger on the pulse

As a former financial analyst, turned venture capitalist, Benjamin Rosen knows who calls the shots when companies deliver unexpected surprises - Wall Street.

Neither has the 55-year-old financier shirked his responsibilities as chairman of Compaq, a role he has held since 1993.

Last weekend, he presided over the boardroom coup which led to the resignation of Eckhard Pfeiffer. Eight years ago it was Mr Rosen who installed him, after removing founder Rod Canion as chief executive because of growing disappointment over the group's PC sales.

However, in recent years he has kept a low profile, despite sitting on the boards of several technology start-ups he has helped to fund and being vice-chairman of the board of trustees at the prestigious

California Institute of Technology.

As a managing partner of the Sevin Rosen venture capital group, he helped found numerous other high-tech companies including Lotus Development, now part of IBM. Currently, he is engaged in the formation of a new internet search and query service called "Ask Jeeves". However, the veteran industry executive said he was happy to be returning to the front line.

Later this week he will face shareholders at Compaq's annual meeting in Houston. As the owner of 5.45m Compaq shares, he will no doubt share their concerns that the stock is trading near its 52-week low.

Perhaps the key question however, is whether any new chief executive will be willing to work under a chairman who already has two notches on his belt.

This was highlighted early last year when Compaq shocked the industry by disclosing that it had a huge inventory overhang, which took six months to dissipate.

Mr Rosen, while praising Mr Pfeiffer's achievements

over the past seven years, said the company's performance had suffered as a result of slow decision-making. The biggest decision facing Mr Pfeiffer's successor may be how to unravel the company's complex distribu-

tion systems so that it can compete more adroitly with direct PC sellers.

But Compaq is also in catch-up mode in the electronic business arena. Perhaps distracted by the complex task of integrating

WorldCom have pursued mergers to extend their networks to all the world's main business centres, BellSouth has stood aloof. "We've always believed that you can create an alliance where you don't have to own everything - the globe is a big place," said Duane Ackerman, chairman.

BellSouth is to pay \$94.50 a share for 37m shares in Qwest, a 15 per cent premium to its closing price at the end of last week. Philip Anschutz, the oilman behind the Qwest start-up, will receive \$1.57bn, cutting his stake to 39 per cent.

The deal does not rule out an eventual takeover of Qwest, either by BellSouth or another company, said Joe Nacchio, chief executive of the Denver-based carrier. The limit on BellSouth's holding disappears if Qwest receives an offer from another company.

Digital's operations, it has been slow to respond to a fundamental shift away from PC-server, or distributed "client server" networks, towards the "internet computing" mode in which desktop computers link to a central database.

Meanwhile established companies such as IBM and HP, as well as many newcomers, are rapidly exploiting the technology shift precipitated by the huge growth of internet use.

Compaq has failed to position itself clearly as a supplier of e-business systems, complained Steve Milunovich of Merrill Lynch during a Compaq conference call with analysts yesterday.

Responding, Mr Rosen said that Compaq had a unique breadth of technologies and products for e-business, but had so far failed to take full advantage of these assets.

The roots of Compaq's recent problems may lie in its ambitious expansion, through acquisitions. Despite repeated reassurances from both Mr Pfeiffer and Mr Rosen, there is a widespread industry perception that the integration of Digital, in particular, is proving much more complex than Compaq envisaged.

Ironically, having "enthusiastically and unanimously endorsed" Mr Pfeiffer's expansion strategy, Compaq's board of directors determined over the weekend that "new leadership" was now needed to manage the increasingly complex business created by these acquisitions. For Mr Pfeiffer, it must seem that sometimes you just cannot win.

Depressed farm sector hits Case

By Nikki Tait in Chicago

Low commodity prices and depressed conditions in the farm sector worldwide caused Case, one of the biggest US suppliers of farm and construction equipment, to fall into the red during the first quarter of 1999.

The Wisconsin-based group reported a \$48m loss, with sales down 13 per cent at \$1.2bn. A year ago, Case's first-quarter profit was \$68m.

Case remained cautious about the outlook for the rest of 1999. It continued to expect worldwide sales of farm equipment to be down by 8-10 per cent, with the important Latin American market slumping by about 10-15 per cent.

In construction, Case predicted stable demand in North America, with some benefit from infrastructure spending generated by the US Highway Bill, but a modest decline in Europe. Asia-Pacific might stabilise, but the Latin American outlook had "dampened considerably" due to Brazil's problems.

Nevertheless - as with

Caterpillar last week - Case's results were still significantly better than many analysts had believed.

According to the First Call research firm, forecasts for Case were about 56 cents a share loss, against the 68 cents actually posted. Case shares, which had already benefited from improved sentiment towards cyclical stocks, rose \$1½ to \$34½.

Case said that the Brazil problems alone had dented earnings by about \$15m, or 16 cents a share. Retail sales, in unit terms, of farm equipment fell by 14 per cent in the quarter, while wholesale sales slumped by 39 per cent, as the company cut back production and pushed out less machinery to dealers.

Case estimated that global production of agricultural equipment fell by about 35 per cent, year-on-year, in the first quarter.

In construction, revenues were 4 per cent higher, with the solid position in North America failing to offset problems elsewhere. Sales in Latin America were 46 per cent lower, and Europe saw a "modest" decline.

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DE BEERS: TOWARDS THE MILLENNIUM

POINTS FROM NICKY OPPENHEIMER'S 1998 CHAIRMAN'S STATEMENT

On the eve of the Millennium, De Beers, one of the world's oldest and largest mining companies, can look back on more than 100 years of growth and achievement during which it secured the stability of the industry and a remarkable expansion of diamond demand throughout the world.

On the cusp of a new century De Beers is fashioning a strategy to enable it to respond creatively to future challenges. It will be guided by its core principles: its commitment to South Africa and to its partners in Southern Africa; its striving for stability in the diamond industry for the benefit of all its stakeholders; and its determination to remain in all respects the world's leading diamond company.

For the diamond industry the past year was one of the most difficult in recent memory, as a result of the lingering recession in Japan and global economic uncertainty. De Beers' response was to cut sales by 28 percent to US\$3.345 billion to ease the pressure on the pipeline where stocks of rough and polished were reduced by US\$1 billion. This remedial action, which showed again why De Beers remains central to the health of the industry, carried a short term cost to the company: a 40 percent drop in De Beers' own earnings; a US\$377 million increase in De Beers' diamond stocks and a 22 percent dividend cut.

By the year's end De Beers' restraint was rewarded by an improvement in the market. The decline in retail sales in Japan and the Far East had been partially offset by vigorous United States demand

as well as growth in the European market, and the New Year has also brought signs of firming demand in the Far East.

On the supply side, the three-year extension of the Russian sales contract with De Beers and the agreement with BHP to market 35 percent of the run-of-mine production from the new Canadian mine, Ekati, were welcomed by the diamond industry. Despite the growing number of new entrants attracted to diamond mining by the stability afforded by single channel marketing, the De Beers Group in South Africa, Botswana and Namibia continues to produce nearly 50 percent by value of the world's gem diamonds. This, together with its ownership of the most advanced diamond technology anywhere, will guarantee its continued dominance in a more competitive environment.

In positioning itself for the future as an independent, dedicated and integrated company under its own management team, De Beers took a major step with its operational separation from Anglo American Corporation and the move to a new corporate headquarters at Crown Mines, Johannesburg. This global centre of excellence is now a matter of pride for South Africa and a showcase for the knowledge and technical expertise which has given De Beers its leadership position in the world-wide diamond industry.

A R60 million training programme to expand and develop its South African skills base is one of the ways De Beers will secure the future of diamond

mining in the country in which the modern diamond industry was born. Other initiatives include a series of imaginative projects to extend the life and employment of its older mines well into the next century and a willingness to invest in small mines and joint ventures as a means to expand black ownership and operational involvement in the industry. De Beers Group operations in Southern Africa include some of the lowest cost mines in the world. The expansion project to double Orapa's capacity, and the completion at Jwaneng of the most automated sorting and recovery facility in the world will maintain this competitive advantage.

As the world prepares to commemorate the Millennium, De Beers will announce several projects to promote the diamond as the ideal Millennium gift. One of these, using De Beers' own unique branding process, will be a limited edition of top quality, individually branded and numbered De Beers Millennium diamonds. De Beers, like millions of diamond consumers around the world, knows that Millennia come and go, but a diamond is forever.

The full Chairman's Statement and the Annual Reports of De Beers Consolidated Mines and De Beers Centenary for the year ended 31st December 1998 have been posted to registered shareholders. Copies may be obtained by writing to the London Secretaries at the address below. The Chairman's Statement may also be accessed on the Internet at <http://www.edata.co.za>

DE BEERS
A DIAMOND IS FOREVER

LEISURE PRICE WAR THREATENED AS A RESULT OF AIRTOURS PROPOSED COUNTER-BID FOR FIRST CHOICE

Thomson will defend market position

By Scheherazade Dameskhani, Leisure Industries Correspondent

The prospect of a UK holiday price war loomed yesterday as Thomson Travel Group warned Airtours, the UK's second largest tour operator, that it would defend its position as the UK's largest package holiday company.

Airtours is preparing to mount a hostile counter-bid

for First Choice, the UK tour operator that has agreed a £1.5bn (\$2.4bn) merger with Switzerland's Kuoni.

A successful bid would give Airtours 34 per cent of the UK package holiday market, against Thomson's 27 per cent. However, Thomson said yesterday: "We have been market leader in the UK for 25 years and we have no intention of losing that position."

The company refused to elaborate but it is believed that Thomson is considering flooding the market with holidays or launching a counter-bid for First Choice to thwart Airtours. A bid by either Airtours or Thomson for First Choice would almost certainly trigger competition concerns.

Thomson has in the past used price wars to maintain its market position, most notably in the mid-1980s when it was challenged by the International Leisure Group, which later collapsed.

However, analysts said Thomson might find it harder to spark a price war - and risk its profitability - now it is no longer owned by Thomson Corporation, the Canadian publishing group, after its London stock market flotation last year.

A price war could also see a return to the volatile trading conditions which once characterised the package holiday industry.

The industry has been rebuilding profits by keeping a tight rein on supply since summer 1995 when over-supply of holidays and subsequent deep discounting led to low margins and reduced profits.

Thomson's statement

came the day after First Choice also warned Airtours not to launch a hostile counter-bid and risk destabilising the UK holiday market.

Airtours is believed to be awaiting Kuoni's offer document, expected later this week, before launching its counter bid. This is expected to be worth £200-230p a share, valuing First Choice at £744m-£778m.

ABF planning £448m pay-out

By John Willman

Associated British Foods, the group that makes Kingsmill bread, Silver Spoon sugar and Twinings tea, proposes to return £448m (\$721m) to shareholders through a special dividend of 50p a share.

The pay-out - about 12 per cent of its market capitalisation - represents a change of policy for ABF which had accumulated a £1.5bn cash pile in preparation for making a large acquisition. The shares rose 17 1/2p to 443 1/2p after the announcement yesterday.

Garry Weston, the reclusive chairman and chief executive whose family con-

trols the company, said prices of larger listed food companies were too high to offer an adequate return to shareholders. But with nearly £1bn still in cash and the capacity to borrow another £1.5bn, ABF remained able to pursue suitable opportunities.

"We need to retain the firepower to make further significant acquisitions," he said.

Mr Weston also announced his second son George would be joining the board as director responsible for bread operations following the departure of David Garman to become chief executive of another unnamed company. All three sons work in the

business and the announcement was seen as an indication that George Weston will eventually succeed his father as chairman.

Mr Weston, 71, is to stand down as chief executive on June 1 in favour of Peter Jackson, head of the British Sugar subsidiary, but intends to continue as executive chairman.

Withington, the family trust which owns 50.9 per cent of the shares, said it would reinvest some of the proceeds of the special dividend in buying another 3 to 4 per cent of the ABF shares. This would enable the group to issue new equity to provide share incentive schemes for managers without the

family losing control. Following the special dividend, the share capital will be consolidated on the basis of 88 new shares for every 100 existing shares. Credit Suisse First Boston was adviser to ABF on the special dividend.

Yesterday's announcements came as ABF announced pre-tax profit for the first half to February 27 of £109m after a £74m charge following the adoption of a new accounting standard on the value of fixed assets. Pre-tax profit before the exceptional charge was £183m (£193m).

Earnings per share were 5.8p (14.5p) and the dividend is held at 4.35p.



Garry Weston: ready to make further acquisitions Colin Breen

COMMENT

ABF

Like Unilever, Associated British Foods was a prime candidate to return cash to shareholders. Even though ABF had stepped up spending on acquisitions, a cool £1.2bn was still sitting in the bank at the end of February - similar to the sum at interim stage last year. Falling interest income and the stubbornly high cost of European acquisitions finally removed the last excuses for keeping so much money handy. ABF will, in any case, still be able to spend well over £2bn on acquisitions after handing back nearly

£450m. Shrinking the equity base will also give a little upward twist to earnings per share, just when large tranches of the business - bakery, sugar and animal feed - continue to wallow. The few growth areas, such as Primark in clothes retailing, are too small to offset this. ABF's uphill struggle is partly beyond its control - the pound's strength against the euro, for instance. But this still leaves ample scope for Peter Jackson, the new chief executive, and chairman Garry Weston's son George to make their mark.

Kingfisher/Asda

The fog has not cleared. What - other than a desire for scale - is behind Kingfisher's \$5.4bn bid for supermarket retailer Asda? Kingfisher argues it needs deep pockets to be able to compete with successful global retailers. Access to Asda's chunky cash flows should certainly increase its spending power. Nonetheless, it is not clear what else it gets from the combination. True, there are purchasing synergies to be obtained from the \$4bn of common products sold. But squeezing suppliers is not a long-term strategy. And it is hard to see why manufacturers should agree to price-cuts, since the merger will not necessarily lead to more goods being purchased.

Sir Geoffrey Mulcahy, Kingfisher's chairman, says the real purchasing benefits will take longer. These will come from Kingfisher offering suppliers a pan-European distribution channel through its store chains. That might be true, but it is not clear where UK-based Asda fits into this strategy. Given the rationale, it is not surprising Kingfisher's all-share offer is now worth only 180p - essentially where Asda's shares were before the deal was announced. If European supermarket groups such as Carrefour have any interest in the UK market, now is the moment.

NU at top end of market forecasts

By Christopher Brown-Hume

Norwich Union, the life insurer, announced a 32 per cent rise in first-quarter new business, but its shares fell on worries about margins and prospects for the rest of the year. The increase in business from £58m to £118m (£187m) was at the top end of expectations, and came after UK business rose 29 per cent, from £57m to £74m.

But Norwich downplayed the performance, saying the figures were flattered by a poor first quarter last year. There was strong growth in UK investment bond business, with sales doubling from £30m to £164m - but a weaker performance in other areas, such as personal pensions, which only rose 5 per cent.

Philip Scott, head of long-term savings at Norwich, said the group had benefited from a switch out of bank deposits. "Investment bonds are attractive products at a time of low inflation when people are finding their income squeezed," he said. The shares, which went ex-dividend, fell 3 1/2p to 456p, with analysts saying the figures were not as impressive as Asda Sun Life's 10 days ago. There were also worries about a change of mix to lower-margin business and the contribution - unquantified - from newly-acquired London & Edinburgh. The group's European business rose 12 per cent to £26m, while international operations climbed 86 per cent to £18m, helped by success in Australia.

Angling to build a retailing behemoth

Peggy Hollinger examines the forces driving the Asda-Kingfisher merger

Buried amid thousands of bland words about how the merger will create a world-scale retailer is the real reason why Kingfisher and Asda want to join forces. It will allow Sir Geoffrey Mulcahy, Kingfisher's chief executive, to further his ambition to dominate global retailing.

But not in food - instead, it is in the electricals and DIY businesses, which he has been expanding internationally at a fierce rate in recent years.

The group will have significantly strengthened financial resources to match more closely those of the

largest global competitors," the companies said, publishing details of the planned merger. With net assets of £58m (\$86m), operating cash flow of more than £1.2bn and gearing below 20 per cent, the combined business would have the muscle to "participate in the continuing consolidation of Europe's DIY and electricals markets".

Bringing in Asda's supermarkets as a cash cow would strengthen Sir Geoffrey's firepower. The deal puts him firmly in the driving seat - Kingfisher shareholders would control two-thirds of the group as a result of the

all-share deal.

Yet the merger would also allay fears among Asda's investors that the number three in a mature industry - physically restricted by a tight planning regime - could be running out of steam. Although the group announced encouraging like-for-like sales rises of 4.7 per cent for the second half to April 10, this growth is being generated by its non-food offering.

Investors seem to have accepted the logic of a merger, even those who consider the terms of the deal somewhat mean from Asda's point of view.

"The returns Kingfisher will make out of Asda are about 7.5 per cent in year one, after attributing a share of the savings to Asda," said one shareholder with a substantial stake in both companies. "It just shows they could have paid more if they wanted."

Asda and Kingfisher yesterday set out the benefits they expect to get from putting the companies together. On the £4.5bn of products which both companies sell,

such as toiletries and toys, they expect to make some £50m a year in savings.

Combining distribution networks and head office overheads would save a further £10m a year, though both businesses insisted there would be no redundancies. Finally, the opportunity to introduce new products - such as Woolworth's Chad Valley toys range and Comet's electricals - into Asda stores, and vice versa, is expected to contribute at least a further £40m in annual benefits.

Together, the two businesses would have 3,000 stores worldwide, selling from 52m sq ft. One idea that has been discussed is opening city-centre Asda food stores in some old Woolworth sites.

The logic of building scale to compete in the same league as the world's biggest retailers could be compelling if the deal is followed by a rash of pan-European mergers. As news of mergers and alliances emerged yesterday from Germany and France, it seemed the argument was winning support.

Inchcape ready to offer £530m cash windfall

By Susanna Doyle

Shareholders in Inchcape yesterday heard that they are to get a £530m (\$853m) cash windfall as the former trading company approaches the end of its disposal phase.

The company said it was in the process of finalising a circular to shareholders with details of the pay-out. However, the group said it had decided to pay a special dividend of 100p a share.

The pay-out will mark the symbolic end to the restructuring of one of the oldest names in the London market. The move had been expected, after the announcement last year that it would focus on international motor distribution.

The restructuring was prompted by a feeling that Inchcape's sprawling structure was too complicated for investors to understand. It has sold five businesses, and disposal of the sixth - an office automation distribution joint venture in Japan -

is expected before the end of June. Inchcape has raised more than £620m from the sales before tax and costs.

The company yesterday said it expected to be able to send the circular to shareholders once the biggest disposal - the \$750m sale of its Chilean bottling operation - was complete.

The disposal, which requires shareholder approval, is subject to agreement of a syndicated loan facility set to be put in place by Emboladores Arica, the Chilean soft-drink bottler that is buying the business. Agreement is expected before the end of the month.

Apart from the bottling interests, Philip Cusack, the chief executive who will leave the group once the disposals are complete, has sold its Russian bottling operations for \$87m, its Asian marketing business for \$33m, Inchcape shipping services for £47.5m and Middle Eastern marketing for £116m.

Practise with unsafe sectors and dissatisfaction is guaranteed

Jane Martinson looks at the implications of the row over MAM's poor performance

When Wendy Mayall of the Unilever pension fund first rounded on Carol Galley of Mercury Asset management over the fund manager's poor performance, neither realised the interest their fight would attract.

But the dispute between Miss Galley and Ms Mayall, two leading industry figures, is more than a passing show, raising questions about how binding the requirement is for a manager to beat its benchmarks.

The differences first emerged early last year when Ms Mayall, Unilever's pension fund manager, demanded to know why MAM had underperformed its client-set benchmark by 10 percentage points the year before.

The questions focused on the extent of the under-performance and the fact that other MAM clients had enjoyed much better returns. Ms Mayall, according to industry sources, was "spitting blood" about the impact on the group's pension scheme members.

Soon afterwards, Unilever sacked MAM from its £1bn (£1.6bn) portfolio and started investigating the possibility

of claiming compensation of up to £100m.

Although few in the industry believe that a case will go to court, the potentially ground-breaking battle has sent ripples through the pension fund industry.

Miss Galley, co-head of MAM responsible for UK institutional clients, admits: "We are in unprecedented territory."

Stephen Zimmerman, the other co-head of the business, suggests that compensation in the event of under-performance would open up a legal minefield. "Even in a litigious society like the US, fund managers are not signing up to guaranteed performance."

Merrill Lynch Mercury, the group's name following its takeover by the US investment bank almost 18 months ago, will not discuss individual clients. Unilever is equally tight-lipped.

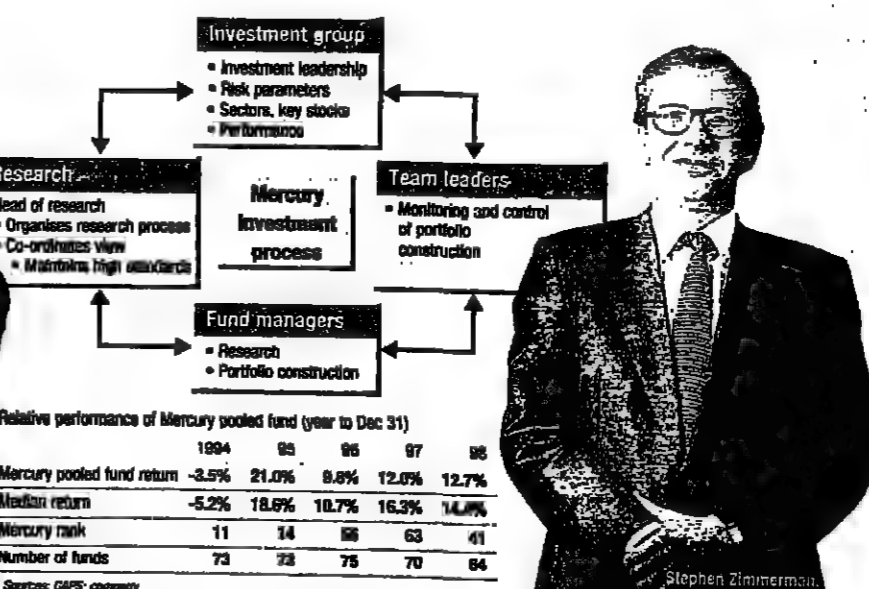
But the seriousness of any potential action has meant that the company, notoriously press-shy, has publicly defended its risk controls during the period of under-performance.

Mercury has traditionally allowed its fund managers greater investment freedom

Merrill Lynch Mercury



Carol Galley, co-head of MAM



than its rivals. In the past two years it has come under fire from consultants as well as disaffected clients for allowing its spread of returns to widen.

One source close to Unilever says the fund was particularly unhappy about the fact that individual fund managers were allowed to take such big bets.

"You would look at the portfolio and not recognise

anything like an index," he said.

A leading consultant went further and said: "Mercury wasn't anything called the Mercury house line."

Mercury has acknowledged that the spread of returns in 1997 was unacceptable, but partly blames highly unusual market conditions.

The year saw a handful of

companies and sectors outperform the broader index, a situation that magnified the impact of relatively small investment decisions.

Miss Galley says: "We were worried about the level of the stock market and we misjudged the fact that momentum and liquidity were going to take over from profits, earnings and dividends as the primary driver to share price movements."

Like other active managers, Mercury suffered by buying unloved British industrial groups and smaller companies.

In spite of its difficulties, Mercury has defended its active investment style, arguing that the alternative is to hug the stock market index and provide lower long-term returns.

"Managers need to take a degree of risk in order to achieve returns," says Miss Galley.

At the same time, the

group has moved to improve the consistency of its returns.

Rivals argue that Merrill is itching to exert more influence over its expensive acquisition.

However, Mercury insiders say that Miss Galley and Mr Zimmerman are still very much in control.

Both appear unhappy over the attention given to their traditional UK business when they are winning so much business elsewhere.

In the first quarter of this year, the group is understood to have won a record \$30m in net new business.

This comes in spite of the fact that two of the leading investment consultants in the UK have taken MLM off their shortlists.

Further questions will be asked before MLM is put back on these lists.

Miss Galley must hope until then that consultants like the answers better than Unilever did.

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LVMH
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Letter to Gucci shareholders

Dear Fellow Shareholders,

We would like to explain our view of the present situation and its implications for all Gucci shareholders.

A successful offer by LVMH is clearly impossible in the current circumstances

In the current circumstances, LVMH cannot launch an unconditional public offer because it would have no realistic chance of success.

Our financial advisors have indicated that there is no precedent for a successful offer that was opposed by a holder of 40% or more of a company's shares.

More than 50% of Gucci's shares have already indicated their opposition to LVMH's proposed offer at \$85 per share.

PPR owns 42% of Gucci's shares and its president has publicly stated that PPR would not sell to LVMH in a public offer, nor is PPR interested in making an offer itself to purchase all Gucci shares.

Tom Ford owns approximately 2% of Gucci's shares and cannot sell these shares without the consent of PPR.

Templeton Fund, which has more than 6% of Gucci's shares, has announced that it will not sell its shares in an LVMH offer at \$85.

Together, these shares constitute more than 50% of Gucci's shares, yet they include the votes of just one "independent" shareholder, owning only 6% of Gucci's shares, or about 18% of the total independent shares.

As such, it is clear that LVMH's proposed offer for all Gucci shares at \$85 per share has absolutely no chance of success unless some action is taken to restore a level playing field.

We have made a number of suggestions to Gucci that would make it possible for LVMH to make an offer with a fair chance of success. In particular, we have suggested to Gucci that if a majority of independent shareholders support LVMH's offer at \$85 per share, the Gucci Board should take action to make the success of such an offer possible, despite the PPR block.

This proposal is in line with the public statements of Gucci itself, which defended the creation of the ESOP on February 18th in the following terms: "The ESOP will ensure that the majority of independent shareholders will retain the power to decide the Company's future."

Today, however, as a result of the PPR transaction, Gucci management finds it convenient to forget this principle of corporate democracy.

Having themselves created a 42% block, and having simultaneously diluted the independent shareholders from 65% to 34% of Gucci's shares (ensuring they will have no voice whatsoever in Gucci's future), Gucci now takes the position that it will not support the will of a simple majority of independent shareholders.

According to Gucci, a successful public offer by LVMH would require acceptance by a super-majority of Gucci's independent shareholders.

Of course, Gucci knows that this is impossible, given Templeton's opposition and Tom Ford's agreement with PPR. Gucci insists, nevertheless, that LVMH launch an unconditional offer, only to give the impression that there has been a fair process. In fact, Gucci is pushing LVMH to make a bid that will fail, so they and PPR will be able to claim that Gucci's shareholders have validated the PPR capital increase and strategy.

LVMH has made additional proposals to Gucci to find a solution to the obstacles that exist to making an offer with a fair chance of success, and in each instance these have been turned down by Gucci without any constructive counterproposals.

Gucci transferred control to PPR at \$75 per share without a full bid or control premium to shareholders

Gucci has also forgotten another principle it espoused before the Amsterdam Court last February - that there should be no transfer of control without a 100% bid. Gucci chose to violate this principle in transferring control to PPR at \$75 per share.

The Strategic Investment Agreement between Gucci and PPR provides:

- an initial 40% stake and a right to go up to 42% of Gucci's fully diluted shares;
- a standstill for 5 years, with no obligation to make a full bid thereafter;
- an option to PPR to purchase an additional 10.1% of shares from Gucci, in certain events;
- 4 out of 9 seats on the Supervisory Board, plus veto rights over the chairman;
- an undertaking to vote for management's slate of the remaining 5 Supervisory Board members, thereby depriving independent shareholders from making successful nominations;
- 3 out of 5 seats on the Strategic and Financial Committee of the Supervisory Board; and
- veto rights over all significant decisions, including issuance of shares, mergers and acquisitions, and choice of chief executive officer.

Gucci stated that action by it to support the will of a majority of independent shareholders, by issuing new shares to LVMH to dilute PPR's block, would be "inconsistent with the Strategic Investment Agreement" with PPR.

While Gucci's Board believed it was free to issue shares to the ESOP in February and to PPR in March, they now admit that they no longer have that freedom, because of the PPR Agreement. What more evidence could one ask for that Gucci's Board has given up its power to control the Company?

PPR confirmed its own view that it was acquiring control of Gucci in the resolution of its Board of Directors on March 19, 1999, entitled "Taking Control of Gucci Group".

PPR's public statement that it has no intention to make a public offer is easily understood. Why should they, when they already have control and are protected from any LVMH or third-party bid? When their standstill is lifted, PPR will be able to buy a few more shares in the market and achieve more than 50% of Gucci's shares without ever paying a premium, launching a bid or offering minority shareholders an exit.

The PPR Strategic Investment Agreement is not in the interest of Gucci's stakeholders

Gucci's alliance with PPR brings Gucci no strategic advantages. PPR has no experience in the distribution of luxury products and little experience outside France. PPR is a mass retailer and they themselves have admitted that there will be no synergies for Gucci from cooperation with the PPR group.

LVMH, on the other hand, is the world's largest luxury brands group and also includes DFS and Sephora, which are specialized in the international distribution of luxury goods. Through cooperation with LVMH group companies, Gucci will have the opportunity to benefit from synergies, leading to increased profitability and growth.

PPR has brought only cash to Gucci. The PPR capital increase is entirely inconsistent with Gucci's decision last year to conduct a share repurchase program. Moreover, if Gucci did require cash for strategic reasons, it could have gone to its existing shareholders for a capital increase, rather than diluting them with a capital increase reserved to PPR.

Instead, the full Gucci Supervisory Board decided in a two-hour meeting on March 18th, when they learned of the PPR transaction for the first time, to completely change Gucci's business strategy to become a multi-brand luxury group, to issue a 40% capital increase to PPR, and to transfer effective control of Gucci to PPR. This was done under a threat from PPR to terminate negotiations if a deal was not concluded by the next day. The Gucci Supervisory Board did not ask for additional time to consider alternatives (including presenting the PPR proposal to LVMH at the meeting scheduled for the next morning), in order to seek a better deal for all Gucci shareholders. Instead, they simply gave PPR 40% of Gucci's shares and control over its future, without requesting a full bid or a control premium.

LVMH is committed to making a full bid for Gucci if there is a level playing field

We reiterate that we will launch a public offer for 100% of Gucci's shares at \$91 per share promptly following the nullification by the Amsterdam Court of the PPR transaction, or at \$85 per share, including the PPR shares, in the event that a level playing field is created by Gucci or the Amsterdam Court.

Today, Gucci opposes the application of the principles they espoused previously. We leave it to you to decide who is truly offering Gucci shareholders the best opportunity: those who transferred control to PPR without consulting existing shareholders and without obtaining a control premium, or LVMH, which wants only to make a full offer that will have a fair chance of success and proposes to abide by the will of the majority of independent shareholders?

We are the only party today offering Gucci's independent shareholders an opportunity to exit with a premium. If this is not made possible either by Gucci or the Amsterdam Court, we will all end up minority investors in a PPR-controlled Gucci, with unimpressive prospects for the future and no reasonable exit opportunity.

We expect you share our serious concern about this situation, as our financial advisors have informed us that in the absence of the possibility of a takeover, the value of Gucci's shares is likely to drop substantially.

We seek your support in our efforts to make our bid possible and to avoid this very unfavorable result for all of us.

The Board of Directors
LVMH MOËT HENNESSY LOUIS VUITTON

at top end of
rket forecasts

On is guaranteed



EURO MARKETS

Equity markets dogged by poor liquidity

After a lukewarm start to the year, European markets may be seeing the start of a return of retail investors, writes Jeffrey Brown

European equities have made a sluggish start to 1999. Some smaller bourses have pushed up to best ever levels, but investors in the core economies remain deeply sceptical of events.

Oslo, last year's backmarker, has rallied powerfully this year on the back of the recovery in energy commodity prices, and Helsinki has also hit peaks.

But the broad swathe of leading stock markets, notably Frankfurt and Paris, have stayed doggedly flat. While Wall Street has powered ahead, setting records almost daily, equity investors in Europe have been more circumspect.

In the US, the Dow Jones Industrial Average has risen more than 14 per cent this year while the FTSE 100 has put on 8 per cent in local currencies.

The contrast with Europe is marked. This year the FTSE 100 index has improved just 6 per cent. Moreover, half this upturn has only appeared on the

charts since the European Central Bank sliced an unexpectedly deep 50 basis points off its refinancing rate to 2.5 per cent on April 8.

One reason for the broad underperformance of European equities has been unexciting liquidity.

Flows of funds into European mutual funds, widely seen as the key marginal investor in equity markets, are still substantially short of the boom levels achieved during early 1998.

Lately there has been a glimmer of hope. According to Salomon Smith Barney, net inflows into European mutual funds improved in February for the second month running, rising to \$4.8bn and racking up the second best monthly figure over the past seven months.

Anecdotal evidence suggests that the upturn in European fund intake may have been maintained through March - at least for UK equities.

That said, however, it is hard to escape the impression that European liquidity

is nothing more than a relic of last year's boom.

February's \$4.8bn net inflow was a full \$2bn down on the average monthly inflow last year, while a more direct comparison with the first half of 1998 widens the gap significantly.

Over the first six months of last year, average monthly inflows were closer to \$8bn.

As leading suppliers of new investment money, mutual funds rank almost

side by side with life insurance companies.

Continental European experience is difficult to assess, but mutual funds in the UK created \$9bn (\$5.6bn) of additional funds in 1997, while life funds accounted for \$13bn.

Even if that kind of relationship cannot be fully transposed to the euro-zone, it is nonetheless clear that mutual fund flows are a key indication of equity market development.

in the UK, equities account for the best part of 90 per cent of mutual fund portfolios. In Europe, the ratio is a more modest 25 per cent - but growing fast.

One corollary to mutual fund inflows is total cross-border flows of funds and here the trend is possibly more encouraging, although given the time lags involved in their compilation, the numbers are imbued with a sense of history.

Although it makes no bones about the subdued level of liquidity since last summer, Salomon Smith Barney is now much more confident that fund flows can start to enhance equity markets.

This partly reflects the recent ECB rate cut, which is expected to shift European savers away from cash and into higher-return equity funds.

"It may take a few more months before inflows return to the \$9bn monthly levels of a year ago, but when they do retail investors will be back firmly in the driving seat," says Salomon Smith Barney.

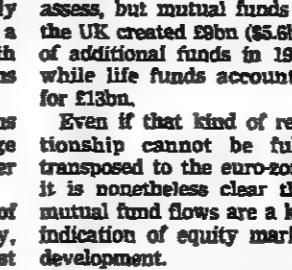
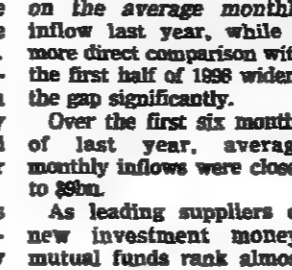
November boosted the average for the quarter up to around 277bn.

The UK and Germany accounted for the bulk of the November investment bulge. According to Salomon Smith Barney calculations, it is these two countries, flanked by the Netherlands, that should gain the most from upturns in mutual fund inflows.

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CURRENCIES, MONEY & BONDS

EURO-ZONE BONDS

Apr 19	Yld	Chg	5 Y P	10 Y P	30 Y P	10 Y Yld	30 Y Yld	10 Y Spd	30 Y Spd
Germany	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
France	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Italy	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Spain	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
UK	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Netherlands	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Belgium	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Austria	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Portugal	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Greece	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Finland	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Ireland	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Denmark	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Sweden	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Norway	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Switzerland	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Poland	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Czech Republic	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Slovak Republic	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Hungary	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Slovenia	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Lithuania	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Latvia	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Estonia	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Malta	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Cyprus	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Slovenia	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Lithuania	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Latvia	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Estonia	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Malta	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15
Cyprus	101.01	0.00	AAA	102.40	2.38	-0.02	-0.01	-0.15	-0.15

EURO SPOT FORWARD AGAINST THE EURO

Mid price	Mid spread	Days to exp	IMR's exp	Spot exp
102.840	2.38	-0.03	-0.94	-0.15
104.350	2.85	-0.03	-0.94	-0.18
103.585	2.87	-0.06	-0.27	-0.14
115.544	4.26	-0.01	-0.11	-0.78
109.328	4.17	+0.09	-0.15	+0.54
107.264	4.94	+0.01	-0.05	+0.26
110.598	4.32	+0.08	-0.17	+0.41
111.110	3.89	-0.02	-0.07	+0.51
102.148	2.23	-0.02	-0.15	-0.15
104.108	3.58	-0.03	-0.10	-0.03
105.540	4.47	+0.04	-0.18	-0.72
101.700	5.16	-0.04	-0.30	-0.60
108.673	4.57	+0.09	-0.07	+0.45
111.791	4.97	+0.09	-0.07	+0.44
107.265	4.35	+0.01	-0.16	+0.50
102.437	4.86	+0.01	-0.07	+0.83
104.728	4.10	-0.02	-0.22	+0.37
100.215	4.27	+0.01	-0.10	+0.52
105.148	4.91	+0.01	-0.03	+0.10
104.355	4.86	-0.01	-0.16	+0.15
106.521	3.08	+0.01	-0.18	+0.38
110.887	4.34	+0.02	-0.10	+0.41
112.690	3.34	+0.02	-0.07	+0.33
103.650	4.28	-0.02	-0.11	+0.49
115.800	6.12	-0.00	-0.15	-0.20
107.023	7.34	-0.16	-0.05	+0.41
112.000	6.98	-0.08	-0.46	+0.38
105.161	3.38	-0.02	-1.72	+0.46

INTERNATIONAL CAPITAL MARKETS

Brazil joins emerging market rush

NEW ISSUES

By Edward Luce in London and John Barham in São Paulo

Brazil yesterday launched its first international bond in more than a year in what is becoming a stampede by emerging markets to issue foreign bonds.

The Brazil bond, which will be between \$1bn and \$5bn depending on investor demand this week, is expected to be followed by a debut launch from Chile and possible issues from Bulgaria and even Malaysia in the near future.

Last week Mexico, Hungary, Colombia and the Korean Development Bank all issued dollar bonds.

The yield spread on the J.P. Morgan Emerging Market Bond Index yesterday narrowed by 11 basis points to 351 basis points by early evening in London. This is roughly equivalent between the index's record high and record low.

"There is a question mark about how sustained this rally is going to be," said one banker. "After all, the Asian recovery is still pretty thin."

It wouldn't take much to upset the trend.

The Brazil offering will in effect be divided between two separate bonds — one an exchange for two outstanding Brady bond issues and the other a simple cash exchange. Pricing, and the ratio of Brady bonds to be announced on Thursday. Brazil's last bond issue of \$1.25bn in March 1998 was priced to yield 375 basis points over comparable US Treasuries.

The latest bond issue was widely expected given Brazil's faster than expected recovery from January's 39 per cent devaluation of the Real.

President Fernando Henrique Cardoso said growing international recognition of the country's improved economic health should allow the government to issue a total of \$5bn in bonds in the first half of the year.

Dany Rappaport, chief economist at the São Paulo office of Santander Investment, said the Spanish investment bank, said the new bond would bring "no great change in profile, but there

New international bond issues

Borrower	Amount	Coupon	Price	Maturity	Yield	Spread	Book number
US DOLLARS							
Paraná (Municipal)	250	6.75%	97.83	Apr 2004	0.275R	+70 (4 1/2 Feb 04)	CSFB/MW/Merrill
Commerzbank AG (B)	500	10 1/8%	106.30	Feb 2004	0.75	JP Morgan	Commerzbank/Warburg
United Mexican States (S)	500	10 1/8%	100.00	Nov 2004	0.25	Merrill Lynch	JP Morgan
PHILTEL, Srs 99-PNB (B) (H)	500	6.50%	100.00	May 2002	0.1875R	+42 (4 1/2 Mar 01)	Warburg
BP Amoco Capital plc	300	5.50%	100.00	May 2002	0.1875R	+42 (4 1/2 Mar 01)	Warburg
EURODOLLARS							
UW Bank (B)	150	4.125%	99.078R	Apr 2009	0.325R	+34 (4 1/2 Jul 03)	ABN Amro/Dresdner KB
Fortis Capl Fndg Trst (S)	400	4.0%	100.00	undated	1.00	+18 (4 1/2 Jun 00)	Merrill Lynch
Fortis Capl Fndg Trst (S)	200	4.0%	100.00	undated	1.00	+18 (4 1/2 Jun 00)	Merrill Lynch
Fortis Capl Fndg Trst (S)	50	6.25%	100.00	undated	2.00	+18 (4 1/2 Jun 00)	Merrill Lynch
Republic of Argentina (S)	250	6.50%	100.00	May 2009	0.35R	+40 (1 1/2 Jan 00)	BBW/Warburg DR
ASLU-CGER Luxembourg (S)	75	7.125%	102.00	May 2004	2.00	+40 (1 1/2 Jan 00)	ASLU-CGER
CANADIAN DOLLARS							
Deutsche Bank Finance	100	4.75%	99.3205R	May 2002	0.1875R	+42 (4 1/2 Mar 01)	Deutsche/BSC

Final terms, non-callable unless stated. Yield spread over relevant government bond at launch supplied by lead manager. *Unlisted: a) Floating-rate note, b) 5-year annual coupon, c) fixed re-offer price, less shown at re-offer level, d) Callable after 2 yrs, e) All priced today, f) Fungible with \$500m, g) 72 days accrued, h) Fungible with \$1bn, i) Plus 96 days accrued, j) Provisional Home Equity Loan Trust, k) 2 1/2% per year, l) 1-month Libor, m) 3-month Libor, n) 6-month Libor, o) 9-month Libor, p) 12-month Libor, q) 15-month Libor, r) 18-month Libor, s) 21-month Libor, t) 24-month Libor, u) 27-month Libor, v) 30-month Libor, w) 33-month Libor, x) 36-month Libor, y) 39-month Libor, z) 42-month Libor, aa) 45-month Libor, ab) 48-month Libor, ac) 51-month Libor, ad) 54-month Libor, ae) 57-month Libor, af) 60-month Libor, ag) 63-month Libor, ah) 66-month Libor, ai) 69-month Libor, aj) 72-month Libor, ak) 75-month Libor, al) 78-month Libor, am) 81-month Libor, an) 84-month Libor, ao) 87-month Libor, ap) 90-month Libor, aq) 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Yen's climb knocks euro to new low

By Alan Beattie
and Christopher Swann

The yen rose against the dollar and euro yesterday as continued strength in Japanese stocks suggested that capital flows would keep it well supported.

By the close of London trading yesterday the yen was at ¥118.1 against the dollar and ¥126.3 against the euro.

The yen's rise against the euro again pushed the European currency lower. The euro hit another lifetime low against the dollar and sterling yesterday, closing at \$1.061 against the dollar and £0.653 against the pound.

The weakness of the euro was not helped by comments from various officials playing down the importance of the currency's recent level.

Dominique Strauss-Kahn, the French finance minister, said in an interview over the weekend that he saw no problem with the recent depreciation of the currency.

"The yen's rise against the dollar may have had such a large effect on the euro because of a perceived asymmetry in the markets," Mr Strauss-Kahn said.

Many analysts have said that the fear that the Bank of Japan will intervene has put a floor under the dollar, meaning that the euro has suffered disproportionately from the yen's recent strength.

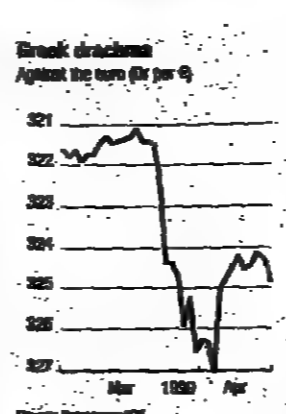
Derek Halpern, currency analyst at the Bank of Tokyo-Mitsubishi in London, said that the probable trigger-point for Bank of Japan

intervention may have been the yen's rise against the dollar. "In earlier episodes the market focused on ¥110 as the key level, but now a breach of ¥115 could well mean intervention," he added.

Uncertainty over the duration of the Kosovo conflict continued to weigh on the Greek drachma yesterday, which slid beneath last week's resistance point of Dr225 against the euro to close at Dr224.5.

The latest slide was triggered by finance ministry suggestions that a protracted crisis could trim more than 0.5 percentage points off 1999 GDP growth, previously forecast at 3.5 per cent. But barring any escalation of the conflict, analysts expect the drachma to firm.

"Any move below Dr226 would most likely spark renewed intervention," said James Daniel of Credit Suisse First Boston in London. "The imposition of rather



Stewart Newnam, currency strategist at Commerzbank, departed from market consensus yesterday by predicting an appreciation of the krona to SKr3.50 against the euro. "The krona has lagged the rally of commodity currencies led by the Australian and Canadian dollars," he said. A conviction that Sweden is destined to join the next wave of European Monetary Union,

he argued, had caused the krona to shadow the euro despite its strong correlation to commodity prices.

With over 25 per cent of Swedish exports based on commodities, he added, it is only a matter of time before fundamentals reassert themselves. "A rise in desired inventory levels, fuelled by increased industrial demand, suggests that the rally in commodities will be strong and sustained."

The fact that the krona had weathered the resignation of the finance minister and a fall in interest rates reinforced the impression of a robust performance, he added.

Others were less convinced. Joe Prendergast, head of global foreign exchange research at Credit Suisse First Boston in London, was neutral about the krona. "Commodity price rises have already been discounted," he said.

MARKETS REPORT

YEN IN NEW YORK

Apr 19	Close	Change	High	Low	Open
Yen	118.10	+0.10	118.10	118.00	118.00
Dollar	0.846	-0.001	0.846	0.845	0.846
Euro	126.30	-0.10	126.30	126.20	126.20

POUND SPOT FORWARD AGAINST THE POUND

Apr 19	Close	Change	High	Low	Open
Pound	0.653	-0.001	0.653	0.652	0.653
Dollar	1.532	-0.001	1.532	1.531	1.532
Euro	1.532	-0.001	1.532	1.531	1.532

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Apr 19	Close	Change	High	Low	Open
Dollar	1.061	-0.001	1.061	1.060	1.061
Euro	0.948	-0.001	0.948	0.947	0.948
Pound	0.653	-0.001	0.653	0.652	0.653

WORLD INTEREST RATES

MONEY RATES									
Apr 19	Over night	One month	Three months	Six months	One year	Two years	Three years	Five years	Seven years
Bank of England	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
European Central Bank	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Federal Reserve	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
Bank of Japan	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00

INTERNATIONAL CURRENCY RATES									
Apr 19	Short term	Three months	Six months	One year	Two years	Three years	Five years	Seven years	Ten years
Yen	118.10	118.10	118.10	118.10	118.10	118.10	118.10	118.10	118.10
Dollar	0.846	0.846	0.846	0.846	0.846	0.846	0.846	0.846	0.846
Euro	126.30	126.30	126.30	126.30	126.30	126.30	126.30	126.30	126.30

THREE MONTH EURO FUTURES (LFF) 100 - 100									
Apr 19	Open	Settle	Change	High	Low	Est. vol.	Open Int.	Apr 19	Open Int.
Jun	97.385	97.385	+0.005	97.385	97.385	20000	213320	Jun	97.385
Jul	97.385	97.385	+0.005	97.385	97.385	20000	213320	Jul	97.385
Aug	97.385	97.385	+0.005	97.385	97.385	20000	213320	Aug	97.385

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Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more detail.

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FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on 1-866-377-8223/8228 for more details.

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LONDON SHARE SERVICE

AEROSPACE & DEFENCE

Company	Price	Change
Bombardier	120.00	+1.00
Boeing	110.00	+0.50
BAE Systems	100.00	+0.20
Rolls Royce	90.00	+0.10
BAE Systems	80.00	+0.10
BAE Systems	70.00	+0.10
BAE Systems	60.00	+0.10
BAE Systems	50.00	+0.10
BAE Systems	40.00	+0.10
BAE Systems	30.00	+0.10
BAE Systems	20.00	+0.10
BAE Systems	10.00	+0.10

AUTOMOBILES

Company	Price	Change
Volvo	100.00	+0.50
Renault	90.00	+0.20
Ford	80.00	+0.10
BMW	70.00	+0.10
Mercedes	60.00	+0.10
Audi	50.00	+0.10
Peugeot	40.00	+0.10
Nissan	30.00	+0.10
Subaru	20.00	+0.10
Toyota	10.00	+0.10

BANKS

Company	Price	Change
Barclays	100.00	+0.50
HSBC	90.00	+0.20
Bank of America	80.00	+0.10
Wells Fargo	70.00	+0.10
Citigroup	60.00	+0.10
JP Morgan Chase	50.00	+0.10
Deutsche Bank	40.00	+0.10
Commerzbank	30.00	+0.10
ING	20.00	+0.10
ABN-Amro	10.00	+0.10

BEVERAGES

Company	Price	Change
Diageo	100.00	+0.50
Heineken	90.00	+0.20
Brewery	80.00	+0.10
Carlsberg	70.00	+0.10
Asahi	60.00	+0.10
Daewoo	50.00	+0.10
Daewoo	40.00	+0.10
Daewoo	30.00	+0.10
Daewoo	20.00	+0.10
Daewoo	10.00	+0.10

CHEMICALS

Company	Price	Change
Bayer	100.00	+0.50
Novartis	90.00	+0.20
Roche	80.00	+0.10
Schering-Plough	70.00	+0.10
Glaxo	60.00	+0.10
Novartis	50.00	+0.10
Novartis	40.00	+0.10
Novartis	30.00	+0.10
Novartis	20.00	+0.10
Novartis	10.00	+0.10

CONSTRUCTION & BUILDING MATERIALS

Company	Price	Change
Arcon	100.00	+0.50
Arcon	90.00	+0.20
Arcon	80.00	+0.10
Arcon	70.00	+0.10
Arcon	60.00	+0.10
Arcon	50.00	+0.10
Arcon	40.00	+0.10
Arcon	30.00	+0.10
Arcon	20.00	+0.10
Arcon	10.00	+0.10

ELECTRICITY

Company	Price	Change
EDF	100.00	+0.50
EDF	90.00	+0.20
EDF	80.00	+0.10
EDF	70.00	+0.10
EDF	60.00	+0.10
EDF	50.00	+0.10
EDF	40.00	+0.10
EDF	30.00	+0.10
EDF	20.00	+0.10
EDF	10.00	+0.10

ELECTRONIC & ELECTRICAL EQUIPMENT

Company	Price	Change
Siemens	100.00	+0.50
Siemens	90.00	+0.20
Siemens	80.00	+0.10
Siemens	70.00	+0.10
Siemens	60.00	+0.10
Siemens	50.00	+0.10
Siemens	40.00	+0.10
Siemens	30.00	+0.10
Siemens	20.00	+0.10
Siemens	10.00	+0.10

ENGINEERING & MACHINERY

Company	Price	Change
Rolls Royce	100.00	+0.50
Rolls Royce	90.00	+0.20
Rolls Royce	80.00	+0.10
Rolls Royce	70.00	+0.10
Rolls Royce	60.00	+0.10
Rolls Royce	50.00	+0.10
Rolls Royce	40.00	+0.10
Rolls Royce	30.00	+0.10
Rolls Royce	20.00	+0.10
Rolls Royce	10.00	+0.10

FOOD & DRUG RETAILERS

Company	Price	Change
Asda	100.00	+0.50
Asda	90.00	+0.20
Asda	80.00	+0.10
Asda	70.00	+0.10
Asda	60.00	+0.10
Asda	50.00	+0.10
Asda	40.00	+0.10
Asda	30.00	+0.10
Asda	20.00	+0.10
Asda	10.00	+0.10

FOOD PRODUCERS & PROCESSORS

Company	Price	Change
Unilever	100.00	+0.50
Unilever	90.00	+0.20
Unilever	80.00	+0.10
Unilever	70.00	+0.10
Unilever	60.00	+0.10
Unilever	50.00	+0.10
Unilever	40.00	+0.10
Unilever	30.00	+0.10
Unilever	20.00	+0.10
Unilever	10.00	+0.10

FORESTRY & PAPER

Company	Price	Change
Weyerhaeuser	100.00	+0.50
Weyerhaeuser	90.00	+0.20
Weyerhaeuser	80.00	+0.10
Weyerhaeuser	70.00	+0.10
Weyerhaeuser	60.00	+0.10
Weyerhaeuser	50.00	+0.10
Weyerhaeuser	40.00	+0.10
Weyerhaeuser	30.00	+0.10
Weyerhaeuser	20.00	+0.10
Weyerhaeuser	10.00	+0.10

GAS DISTRIBUTION

Company	Price	Change
British Gas	100.00	+0.50
British Gas	90.00	+0.20
British Gas	80.00	+0.10
British Gas	70.00	+0.10
British Gas	60.00	+0.10
British Gas	50.00	+0.10
British Gas	40.00	+0.10
British Gas	30.00	+0.10
British Gas	20.00	+0.10
British Gas	10.00	+0.10

GENERAL RETAILERS

Company	Price	Change
Debenhams	100.00	+0.50
Debenhams	90.00	+0.20
Debenhams	80.00	+0.10
Debenhams	70.00	+0.10
Debenhams	60.00	+0.10
Debenhams	50.00	+0.10
Debenhams	40.00	+0.10
Debenhams	30.00	+0.10
Debenhams	20.00	+0.10
Debenhams	10.00	+0.10

CONSTRUCTION & BUILDING MATERIALS - Continued

Company	Price	Change
Arcon	100.00	+0.50
Arcon	90.00	+0.20
Arcon	80.00	+0.10
Arcon	70.00	+0.10
Arcon	60.00	+0.10
Arcon	50.00	+0.10
Arcon	40.00	+0.10
Arcon	30.00	+0.10
Arcon	20.00	+0.10
Arcon	10.00	+0.10

DISTRIBUTORS

Company	Price	Change
Arcon	100.00	+0.50
Arcon	90.00	+0.20
Arcon	80.00	+0.10
Arcon	70.00	+0.10
Arcon	60.00	+0.10
Arcon	50.00	+0.10
Arcon	40.00	+0.10
Arcon	30.00	+0.10
Arcon	20.00	+0.10
Arcon	10.00	+0.10

ENGINEERING & MACHINERY - Continued

Company	Price	Change
Rolls Royce	100.00	+0.50
Rolls Royce	90.00	+0.20
Rolls Royce	80.00	+0.10
Rolls Royce	70.00	+0.10
Rolls Royce	60.00	+0.10
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Asda	100.00	+0.50
Asda	90.00	+0.20
Asda	80.00	+0.10
Asda	70.00	+0.10
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British Gas	40.00	+0.10
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Debenhams	30.00	+0.10
Debenhams	20.00	+0.10
Debenhams	10.00	+0.10

HOUSEHOLD GOODS & TEXTILES

Company	Price	Change
Debenhams	100.00	+0.50
Debenhams	90.00	+0.20
Debenhams	80.00	+0.10
Debenhams	70.00	+0.10
Debenhams	60.00	+0.10
Debenhams	50.00	+0.10
Debenhams	40.00	+0.10
Debenhams	30.00	+0.10
Debenhams	20.00	+0.10
Debenhams	10.00	+0.10

INFORMATION TECHNOLOGY HARDWARE

Company	Price	Change
Debenhams	100.00	+0.50
Debenhams	90.00	+0.20
Debenhams	80.00	+0.10
Debenhams	70.00	+0.10
Debenhams	60.00	+0.10
Debenhams	50.00	+0.10
Debenhams	40.00	+0.10
Debenhams	30.00	+0.10
Debenhams	20.00	+0.10
Debenhams	10.00	+0.10

INSURANCE

Company	Price	Change
Debenhams	100.00	+0.50
Debenhams	90.00	+0.20
Debenhams	80.00	+0.10
Debenhams	70.00	+0.10
Debenhams	60.00	+0.10
Debenhams	50.00	+0.10
Debenhams	40.00	+0.10
Debenhams	30.00	+0.10
Debenhams	20.00	+0.10
Debenhams	10.00	+0.10

INVESTMENT COMPANIES

2000	+8
115	+2
985	+10
240	+3
124	—
113	—
117	+5
282	+14
181	+10
1	—
100	+3
1	—
9	—
2107	—
68	+1
12	+1
120	+1
185	+1
700	+1

LONDON SHARE SERVICE

RIV TRUSTS SPLIT CAPITAL - Continued

[illegible]

MIDJUNG - Continued

[illegible]**REAL ESTATE - Continued**[illegible]**SPECIALTY & OTHER FINANCE - Continued**[illegible]TRANSPORT - Confidential

	Notes	Price
Rockwell E		732 1/2
Rockwell S		732 1/2
Rockwell T		732 1/2
Rockwell U		732 1/2
Rockwell V		732 1/2
Rockwell W		732 1/2
Rockwell X		732 1/2
Rockwell Y		732 1/2
Rockwell Z		732 1/2
Rockwell AA		732 1/2
Rockwell AB		732 1/2
Rockwell AC		732 1/2
Rockwell AD		732 1/2
Rockwell AE		732 1/2
Rockwell AF		732 1/2
Rockwell AG		732 1/2
Rockwell AH		732 1/2
Rockwell AI		732 1/2
Rockwell AJ		732 1/2
Rockwell AK		732 1/2
Rockwell AL		732 1/2
Rockwell AM		732 1/2
Rockwell AN		732 1/2
Rockwell AO		732 1/2
Rockwell AP		732 1/2
Rockwell AQ		732 1/2
Rockwell AR		732 1/2
Rockwell AS		732 1/2
Rockwell AT		732 1/2
Rockwell AU		732 1/2
Rockwell AV		732 1/2
Rockwell AW		732 1/2
Rockwell AX		732 1/2
Rockwell AY		732 1/2
Rockwell AZ		732 1/2
Rockwell BA		732 1/2
Rockwell BB		732 1/2
Rockwell BC		732 1/2
Rockwell BD		732 1/2
Rockwell BE		732 1/2
Rockwell BF		732 1/2
Rockwell BG		732 1/2
Rockwell BH		732 1/2
Rockwell BI		732 1/2
Rockwell BJ		732 1/2
Rockwell BK		732 1/2
Rockwell BL		732 1/2
Rockwell BM		732 1/2
Rockwell BN		732 1/2
Rockwell BO		732 1/2
Rockwell BP		732 1/2
Rockwell BQ		732 1/2
Rockwell BR		732 1/2
Rockwell BS		732 1/2
Rockwell BT		732 1/2
Rockwell BU		732 1/2
Rockwell BV		732 1/2
Rockwell BW		732 1/2
Rockwell BX		732 1/2
Rockwell BY		732 1/2
Rockwell BZ		732 1/2
Rockwell CA		732 1/2
Rockwell CB		732 1/2
Rockwell CC		732 1/2
Rockwell CD		732 1/2
Rockwell CE		732 1/2
Rockwell CF		732 1/2
Rockwell CG		732 1/2
Rockwell CH		732 1/2
Rockwell CI		732 1/2
Rockwell CJ		732 1/2
Rockwell CK		732 1/2
Rockwell CL		732 1/2
Rockwell CM		732 1/2
Rockwell CN		732 1/2
Rockwell CO		732 1/2
Rockwell CP		732 1/2
Rockwell CQ		732 1/2
Rockwell CR		732 1/2
Rockwell CS		732 1/2
Rockwell CT		732 1/2
Rockwell CU		732 1/2
Rockwell CV		732 1/2
Rockwell CW		732 1/2
Rockwell CX		732 1/2
Rockwell CY		732 1/2
Rockwell CZ		732 1/2
Rockwell DA		732 1/2
Rockwell DB		732 1/2
Rockwell DC		732 1/2
Rockwell DD		732 1/2
Rockwell DE		732 1/2
Rockwell DF		732 1/2
Rockwell DG		732 1/2
Rockwell DH		732 1/2
Rockwell DI		732 1/2
Rockwell DJ		732 1/2
Rockwell DK		732 1/2
Rockwell DL		732 1/2
Rockwell DM		732 1/2
Rockwell DN		732 1/2
Rockwell DO		732 1/2
Rockwell DP		732 1/2
Rockwell DQ		732 1/2
Rockwell DR		732 1/2
Rockwell DS		732 1/2
Rockwell DT		732 1/2
Rockwell DU		732 1/2
Rockwell DV		732 1/2
Rockwell DW		732 1/2
Rockwell DX		732 1/2
Rockwell DY		732 1/2
Rockwell DZ		732 1/2
Rockwell EA		732 1/2
Rockwell EB		732 1/2
Rockwell EC		732 1/2
Rockwell ED		732 1/2
Rockwell EE		732 1/2
Rockwell EF		732 1/2
Rockwell EG		732 1/2
Rockwell EH		732 1/2
Rockwell EI		732 1/2
Rockwell EJ		732 1/2
Rockwell EK		732 1/2
Rockwell EL		732 1/2
Rockwell EM		732 1/2
Rockwell EN		732 1/2
Rockwell EO		732 1/2
Rockwell EP		732 1/2
Rockwell EQ		732 1/2
Rockwell ER		732 1/2
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Rockwell FD		732 1/2
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Rockwell FI		732 1/2
Rockwell FJ		732 1/2
Rockwell FK		732 1/2
Rockwell FL		732 1/2
Rockwell FM		732 1/2
Rockwell FN		732 1/2
Rockwell FO		732 1/2
Rockwell FP		732 1/2
Rockwell FQ		732 1/2
Rockwell FR		732 1/2
Rockwell FS		732 1/2
Rockwell FT		732 1/2
Rockwell FU		732 1/2
Rockwell FV		732 1/2
Rockwell FW		732 1/2
Rockwell FX		732 1/2
Rockwell FY		732 1/2
Rockwell FZ		732 1/2
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Rockwell GJ		732 1/2
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Rockwell GO		732 1/2
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Rockwell GR		732 1/2
Rockwell GS		732 1/2
Rockwell GT		732 1/2
Rockwell GU		732 1/2
Rockwell GV		732 1/2
Rockwell GW		732 1/2
Rockwell GX		732 1/2
Rockwell GY		732 1/2
Rockwell GZ		732 1/2
Rockwell HA		732 1/2
Rockwell HB		732 1/2
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Rockwell HF		732 1/2
Rockwell HG		732 1/2
Rockwell HH		732 1/2
Rockwell HI		732 1/2
Rockwell HJ		732 1/2
Rockwell HK		732 1/2
Rockwell HL		732 1/2
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Rockwell HN		732 1/2
Rockwell HO		732 1/2
Rockwell HP		732 1/2
Rockwell HQ		732 1/2
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Rockwell ID		732 1/2
Rockwell IE		732 1/2
Rockwell IF		732 1/2
Rockwell IG		732 1/2
Rockwell IH		732 1/2
Rockwell II		732 1/2
Rockwell IJ		732 1/2
Rockwell IK		732 1/2
Rockwell IL		732 1/2
Rockwell IM		732 1/2
Rockwell IN		732 1/2
Rockwell IO		732 1/2
Rockwell IP		732 1/2
Rockwell IQ		732 1/2
Rockwell IR		732 1/2
Rockwell IS		732 1/2
Rockwell IT		732 1/2
Rockwell IU		732 1/2
Rockwell IV		732 1/2
Rockwell IW		732 1/2
Rockwell IX		732 1/2
Rockwell IY		732 1/2
Rockwell IZ		732 1/2
Rockwell JA		732 1/2
Rockwell JB		732 1/2
Rockwell JC		732 1/2
Rockwell JD		732 1/2
Rockwell JE		732 1/2
Rockwell JF		732 1/2
Rockwell JG		732 1/2
Rockwell JH		732 1/2
Rockwell JI		732 1/2
Rockwell JJ		732 1/2
Rockwell JK		732 1/2
Rockwell JL		732 1/2
Rockwell JM		732 1/2
Rockwell JN		732 1/2
Rockwell JO		732 1/2
Rockwell JP		732 1/2
Rockwell JQ		732 1/2
Rockwell JR		732 1/2
Rockwell JS		732 1/2
Rockwell JT		732 1/2
Rockwell JU		732 1/2
Rockwell JV		732 1/2
Rockwell JW		732 1/2
Rockwell JX		732 1/2
Rockwell JY		732 1/2
Rockwell JZ		732 1/2
Rockwell KA		732 1/2
Rockwell KB		732 1/2
Rockwell KC		732 1/2
Rockwell KD		732 1/2
Rockwell KE		732 1/2
Rockwell KF		732 1/2
Rockwell KG		732 1/2
Rockwell KH		732 1/2
Rockwell KI		732 1/2
Rockwell KJ		732 1/2
Rockwell KK		732 1/2
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Rockwell KM		732 1/2
Rockwell KN		732 1/2
Rockwell KO		732 1/2
Rockwell KP		732 1/2
Rockwell KQ		732 1/2
Rockwell KR		732 1/2
Rockwell KS		732 1/2
Rockwell KT		732 1/2
Rockwell KU		732 1/2
Rockwell KV		732 1/2
Rockwell KW		732 1/2
Rockwell KX		732 1/2
Rockwell KY		732 1/2
Rockwell KZ		732 1/2
Rockwell LA		732 1/2
Rockwell LB		732 1/2
Rockwell LC		732 1/2
Rockwell LD		732 1/2
Rockwell LE		732 1/2
Rockwell LF		732 1/2
Rockwell LG		732 1/2
Rockwell LH		732 1/2
Rockwell LI		732 1/2
Rockwell LJ		732 1/2
Rockwell LK		732 1/2
Rockwell LL		732 1/2
Rockwell LM		732 1/2
Rockwell LN		732 1/2
Rockwell LO		732 1/2
Rockwell LP		732 1/2
Rockwell LQ		732 1/2
Rockwell LR		732 1/2
Rockwell LS		732 1/2
Rockwell LT		732 1/2
Rockwell LU		732 1/2
Rockwell LV		732 1/2
Rockwell LW		732 1/2
Rockwell LX		732 1/2
Rockwell LY		732 1/2
Rockwell LZ		732 1/2
Rockwell MA		732 1/2
Rockwell MB		732 1/2
Rockwell MC		732 1/2
Rockwell MD		732 1/2
Rockwell ME		732 1/2
Rockwell MF		732 1/2
Rockwell MG		732 1/2
Rockwell MH		732 1/2
Rockwell MI		732 1/2
Rockwell MJ		732 1/2
Rockwell MK		732 1/2
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Rockwell MM		732 1/2
Rockwell MN		732 1/2
Rockwell MO		732 1/2
Rockwell MP		732 1/2
Rockwell MQ		732 1/2
Rockwell MR		732 1/2
Rockwell MS		732 1/2
Rockwell MT		732 1/2
Rockwell MU		732 1/2
Rockwell MV		732 1/2
Rockwell MW		732 1/2
Rockwell MX		732 1/2
Rockwell MY		732 1/2
Rockwell MZ		732 1/2
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Rockwell ND		732 1/2
Rockwell NE		732 1/2
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Rockwell NH		732 1/2
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Rockwell NK		732 1/2
Rockwell NL		732 1/2
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Rockwell NN		732 1/2
Rockwell NO		732 1/2
Rockwell NP		732 1/2
Rockwell NQ		732 1/2
Rockwell NR		732 1/2
Rockwell NS		732 1/2
Rockwell NT		732 1/2
Rockwell NU		732 1/2
Rockwell NV		732 1/2
Rockwell NW		732 1/2
Rockwell NX		732 1/2
Rockwell NY		732 1/2
Rockwell NZ		732 1/2
Rockwell OA		732 1/2
Rockwell OB		732 1/2
Rockwell OC		732 1/2
Rockwell OD		732 1/2
Rockwell OE		732 1/2
Rockwell OF		732 1/2
Rockwell OG		732 1/2
Rockwell OH		732 1/2
Rockwell OI		732 1/2
Rockwell OJ		732 1/2
Rockwell OK		732 1/2
Rockwell OL		732 1/2
Rockwell OM		732 1/2
Rockwell ON		732 1/2
Rockwell OO		732 1/2
Rockwell OP		732 1/2
Rockwell OQ		732 1/2
Rockwell OR		732 1/2
Rockwell OS		732 1/2
Rockwell OT		732 1/2
Rockwell OU		732 1/2
Rockwell OV		732 1/2
Rockwell OW		732 1/2
Rockwell OX		732 1/2
Rockwell OY		732 1/2
Rockwell OZ		732 1/2
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Rockwell PJ		732 1/2
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Rockwell PL		732 1/2
Rockwell PM		732 1/2
Rockwell PN		732 1/2
Rockwell PO		732 1/2
Rockwell PP		732 1/2
Rockwell PQ		732 1/2
Rockwell PR		732 1/2
Rockwell PS		732 1/2
Rockwell PT		732 1/2
Rockwell PU		732 1/2
Rockwell PV		732 1/2
Rockwell PW		732 1/2
Rockwell PX		732 1/2
Rockwell PY		732 1/2
Rockwell PZ		732 1/2
Rockwell QA		732 1/2
Rockwell QB		732 1/2
Rockwell QC		732 1/2
Rockwell QD		732 1/2
Rockwell QE		732 1/2
Rockwell QF		732 1/2
Rockwell QG		732 1/2
Rockwell QH		732 1/2
Rockwell QI		732 1/2
Rockwell QJ		732 1/2
Rockwell QK		732 1/2
Rockwell QL		732 1/2
Rockwell QM		732 1/2
Rockwell QN		732 1/2
Rockwell QO		

AIM - Confidential

[illegible]

LEISURE, ENTERTAINMENT & HOTELS

[illegible]**DEL & GAS**[illegible]

**If only this page could
be updated now.
Our pages just have been.**

Interactive Investor is a free website devoted to making the most up-to-date financial information available to you. One visit could make all the difference to your portfolio.

www.iii.co.uk



CANADIANS

M. Montreal CS
 M. Nova Scot. CS
 M. Gas
 M. Sarnia Gold
 M. Bell Canada CS
 M. Can Imp BK CS
 M. Can Pacific 4pc Dr
 M. Echo Bay
 M. Gulf Can CS
 M. Hammer Sd CS
 M. Hudson's Bay CS
 M. Imperial Oil CS
 M. Inco CS
 M. Ry Algom
 M. Royal Bk Canada
 M. Toronto-Dom CS
 M. Trans Can Pipe CS
 M. Western Star Truck

SOUTH AFRICA

Barlow N
 Investec Group
 Investec Fidelity
 Standard Bank N
 Thaw Fish

SOUTH AFRICAN

	Notes
Barlow R.	_____
Investor Group	_____
Investor Mktg.	_____
Standard Bank N	_____
Time Bank	_____

TRADED INDEX SECURITIES

Model	Price	+ tax
10.1	10.1	10.1
10.2	10.2	10.2
10.3	10.3	10.3
10.4	10.4	10.4
10.5	10.5	10.5
10.6	10.6	10.6
10.7	10.7	10.7
10.8	10.8	10.8
10.9	10.9	10.9
10.10	10.10	10.10
10.11	10.11	10.11
10.12	10.12	10.12
10.13	10.13	10.13
10.14	10.14	10.14
10.15	10.15	10.15
10.16	10.16	10.16
10.17	10.17	10.17
10.18	10.18	10.18
10.19	10.19	10.19
10.20	10.20	10.20
10.21	10.21	10.21
10.22	10.22	10.22
10.23	10.23	10.23
10.24	10.24	10.24
10.25	10.25	10.25
10.26	10.26	10.26
10.27	10.27	10.27
10.28	10.28	10.28
10.29	10.29	10.29
10.30	10.30	10.30
10.31	10.31	10.31
10.32	10.32	10.32
10.33	10.33	10.33
10.34	10.34	10.34
10.35	10.35	10.35
10.36	10.36	10.36
10.37	10.37	10.37
10.38	10.38	10.38
10.39	10.39	10.39
10.40	10.40	10.40
10.41	10.41	10.41
10.42	10.42	10.42
10.43	10.43	10.43
10.44	10.44	10.44
10.45	10.45	10.45
10.46	10.46	10.46
10.47	10.47	10.47
10.48	10.48	10.48
10.49	10.49	10.49
10.50	10.50	10.50
10.51	10.51	10.51
10.52	10.52	10.52
10.53	10.53	10.53
10.54	10.54	10.54
10.55	10.55	10.55
10.56	10.56	10.56
10.57	10.57	10.57
10.58	10.58	10.58
10.59	10.59	10.59
10.60	10.60	10.60
10.61	10.61	10.61
10.62	10.62	10.62
10.63	10.63	10.63
10.64	10.64	10.64
10.65	10.65	10.65
10.66	10.66	10.66
10.67	10.67	10.67
10.68	10.68	10.68
10.69	10.69	10.69
10.70	10.70	10.70
10.71	10.71	10.71
10.72	10.72	10.72
10.73	10.73	10.73
10.74	10.74	10.74
10.75	10.75	10.75
10.76	10.76	10.76
10.77	10.77	10.77
10.78	10.78	10.78
10.79	10.79	10.79
10.80	10.80	10.80
10.81	10.81	10.81
10.82	10.82	10.82
10.83	10.83	10.83
10.84	10.84	10.84
10.85	10.85	10.85
10.86	10.86	10.86
10.87	10.87	10.87
10.88	10.88	10.88
10.89	10.89	10.89
10.90	10.90	10.90
10.91	10.91	10.91
10.92	10.92	10.92
10.93	10.93	10.93
10.94	10.94	10.94
10.95	10.95	10.95
10.96	10.96	10.96
10.97	10.97	10.97
10.98	10.98	10.98
10.99	10.99	10.99
11.00	11.00	11.00
11.01	11.01	11.01
11.02	11.02	11.02

Alternative Investment Market

Alternative Investment Market
The Alternative Investment Market, designed primarily for small companies, regulated by the London Stock Exchange but not an exchange itself, came into being in 1999.

GUIDE TO LONDON SHARE SERVICE

Prices and trading volumes for the London Share Service are delivered
Financial Times Information.
Company classifications are based on data used for the FTSE 100

Closing bid-prices are shown in pence unless otherwise stated. For P 180 index constituents and reserves contained in the Trading Index table on the LSE page, last made prices at 4.00 pm on 23 October 2006 are shown, as these data were not included on the Stock Exchange Electronic Trading System (SETS). Rights and loans are listed from day-end preferred-share values in sterling £m each period.

Trading Volumes are said of any unscrutinized totals. Dashes indicate either no trade has taken place during the day or the date is available for more securities according. Volumes shown for foreign securities are based on London trading.

Where stocks are discontinued by currency after their listing, they will appear under the same name. Prices shown for some of these foreign securities are converted into sterling from local currencies based on Exchange rates.

Symbols referring to dividend status appear in the notes column as a guide to yield and P/E ratios. Dividends and Dividend cover published on Monday.

Earnings used in calculations are based on S&P Timeline, Earnings Canada.

Price/earnings ratios are based on latest annual reports and second and, where possible, are updated on interim figures.

Yields are based on mid-prices, see and also allow for the value of declared distribution and rights.

Estimated Net Asset Values (available on request) for Investment Funds are shown above, adjusted for operations discounts (50% or more).

- Highs and lows marked that have been adjusted to allow for changes
- 1 Interest rate increased or resumed
- 2 London stock reduced, passed or deferred
- 4 Figure or report omitted
- 5 Rule 2.1(a)(iv) Dividend incorporated companies listed on approved exchange
- 6 New accounting/financial report available, see details below
- 7 Rule 4.3(a)(vi) incorporated non-listed companies

-	Price at time of suspension		
-	Indicated dividend yield after pending scrip and/or rights issue		
3.4	Merger bid or reorganization in progress		
14.2	Forecast dividend yield, pts based on earnings updated by		
11.5	Issued statement.		
21.7	⚡ Involving collective investment scheme.		
-	a) Yield based on	1) Dividend yield includes	prospective or other
-	weighted dividend	current payouts after	capital estimates for
-	b) Figures based on	04/90	1990-2001.
-	prospective or other	2) Dividend yield includes	⚡ Dividend in past is
-	capital estimates.	a special payment	whole or part as a
14.9	1) Dividend yield adjusted	F Yield based on	FD foreign income

[illegible]

- latest annual earnings	2000	at or without
- a forecast, or estimated	1. Estimated annualized	20 or 200 years;
annualized dividend	yield, pct based on	20 or rights;
yield, pct based on	yield, annual earnings	20 or 20;
previous year's earnings	20 Yield based on	20 or capital structure

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LONDON STOCK EXCHANGE

FTSE 100 and All-Share indices hit new highs

MARKET REPORT

By Steve Thompson,
UK Stock Market Editor

It was another session of sparkling all-round gains for London's equity market yesterday.

The FTSE 100 index finished the day at a record closing high and looked set fair to launch another attack on its intraday high - 6,539.9. The FTSE 250 and SmallCap indices crept ever closer to their peaks.

A stunning advance by Wall Street - where the Dow Jones Industrial Average

shot up more than 200 points not long after US trading began - saw the FTSE 100 move into overdrive, finishing 94.7 higher at a closing record of 6,539.9.

And the broader FTSE All-Share index, which briefly moved through the 3,000 level last Wednesday before slipping back, surged to close above that mark for the first time, reaching a record intraday and closing figure of 3,010.25, up 40.5 or 1.4 per cent.

Some market strategists warned that the markets may have become overheated. Richard Jeffrey at

CCF Charterhouse said: "There has to be an underlying fear that markets are now more momentum driven - ratings are too extreme."

Continuing the pattern of recent sessions, the FTSE 250 index took the honours for outperformance during the early part of the day, with the second-liners attracting a fresh burst of support as the cyclical stocks remained the focus of attention.

At the close, the mid-cap index was 53.2 higher at 5,849.4, its fifth straight winning performance and a gain of 290.5 or 5.2 per cent dur-

ing that time. Not to be outdone, the FTSE SmallCap leapt 23.5 to 2,488.6, also a fifth consecutive gain, a winning streak during which it has risen 71.74 or 3 per cent.

Once again the market was driven ahead by take-over news and speculation that spread across many of the market's sectors, including food retailers, telecoms, banks and leisure.

Adding to the positive mood was news of more companies returning cash to shareholders, with Inchcape proposing a 100p-a-share special dividend totalling £530m, and Associated Brit-

ish Foods handing back £448m via a 50p-a-share special dividend.

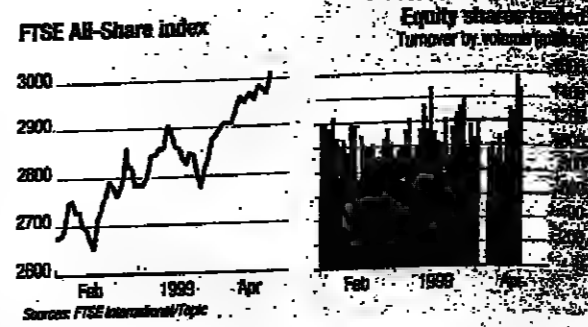
Lehman Brothers also helped fuel London's uptick. The broker increased its recommended exposure to the UK stock market to 14 per cent from 13 per cent.

Lehman said: "The recovery in the balance of earnings revisions is stronger in the UK than elsewhere in the industrialised world. Having recently removed the prospect of rate cuts in the US, the UK stands alone as the only major equity market that will be supported by falling short and long rates."

But it was Wall Street's latest advance that gave the biggest boost to sentiment, following up last Friday's 31-point gain, which saw the Dow Jones Industrial Average hit its fifth consecutive closing high.

The day's UK economic news headline output prices came in stronger than expected but core prices were below forecasts - had little impact.

Turnover expanded to 1.49bn shares, boosted by a 15 per cent share buyback carried out by Tomkins, which accounted for around 170m shares.



Source: FTSE International/Type

Indices and ratios	FTSE 100	FTSE 250	FTSE All-Share	FTSE 100/All-Share	FTSE 250/All-Share	10 yr Govt yield	Long Gilt yield	Long Gilt yield ratio
	6539.9	5849.4	3010.25	215.6	194.7	4.5	4.75	2.07

Best performing sectors	Worst performing sectors
1 Steel & Other Metals +5.9	1 Transport & New Products -1.7
2 Oil & Gas +4.0	2 Gas Distribution -1.7
3 Beverages +4.5	3 Health -1.7
4 Resources +4.5	4 Water -0.4
5 Mining +3.5	5 Utilities -0.4

Standard presents its case

COMPANIES REPORT

By Peter John and Martin Brice

Standard Chartered led the banking sector higher as investors moved into the stock at the start of a week of presentations to the UK's biggest institutions.

Eleven funds, most of which own more than 2 per cent of the bank's shares, paid to send representatives out to Hong Kong at the weekend.

A gruelling schedule, which began on Sunday evening, continued yesterday with seven events including talks on risk in China and an appraisal of corporate banking in Hong Kong.

The programme moves to Singapore on Wednesday. While it was too early for any solid fundamental news to filter back to the dealing desks, most brokers expected any reports from the company to be positive rather than negative.

The shares have virtually recovered all their losses suffered during the Asian economic crisis. However, the stock is still seen as one of the market's prime cyclical recovery plays.

Standard Chartered rose 43% to £10.99, helped by strong gains in Hong Kong's

Hang Seng index. By comparison HSBC, which hit a new high in Hong Kong, gained 28 to £29.08. HSBC has outperformed the FTSE All-Share index by 22.1 per cent this year.

Banking stocks were driven by the strong performance in the US, which was helped in turn by well-received figures from Citigroup, the US bank.

Analysis said the discount to the market at which banks normally trade was beginning to look unjustified, particularly if there was no economic downturn.

Barclays benefited from weekend press reports that

chewed over the prospect of a merger with Royal Bank of Scotland. Barclays rose 44 to £19.42 and RBS 33 to £14.75. NatWest was up 49 at £15.66 and Lloyds TSB 36 at £10.03.

Composite insurer CGU fell 11¼ to stand at 97p as David Hudson, newly arrived at HSBC Securities from Credit Lyonnais, downgraded the stock to "reduce" from "hold".

Mr Hudson said: "We are under the impression that the momentum for recovery in the UK for general insurance has been choked off recently."

Norwich Union shed 3% to 456p as the market reacted

Best and worst performing FTSE sectors

Oil & Gas

Personal Care & Household Products

Jan 1999

Apr 1999

Source: FTSE International

Oil & Gas

Personal Care & Household Products

Jan 1999

Apr 1999

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GLOBAL EQUITY MARKETS

US INDICES

Year	1989	1988	1987	1986	1985	1984	1983	1982	1981	1980	1979	1978	1977	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967	1966	1965	1964	1963	1962	1961	1960	1959	1958	1957	1956	1955	1954	1953	1952	1951	1950	1949	1948	1947	1946	1945	1944	1943	1942	1941	1940	1939	1938	1937	1936	1935	1934	1933	1932	1931	1930	1929	1928	1927	1926	1925	1924	1923	1922	1921	1920	1919	1918	1917	1916	1915	1914	1913	1912	1911	1910	1909	1908	1907	1906	1905	1904	1903	1902	1901	1900	1899	1898	1897	1896	1895	1894	1893	1892	1891	1890	1889	1888	1887	1886	1885	1884	1883	1882	1881	1880	1879	1878	1877	1876	1875	1874	1873	1872	1871	1870	1869	1868	1867	1866	1865	1864	1863	1862	1861	1860	1859	1858	1857	1856	1855	1854	1853	1852	1851	1850	1849	1848	1847	1846	1845	1844	1843	1842	1841	1840	1839	1838	1837	1836	1835	1834	1833	1832	1831	1830	1829	1828	1827	1826	1825	1824	1823	1822	1821	1820	1819	1818	1817	1816	1815	1814	1813	1812	1811	1810	1809	1808	1807	1806	1805	1804	1803	1802	1801	1800	1799	1798	1797	1796	1795	1794	1793	1792	1791	1790	1789	1788	1787	1786	1785	1784	1783	1782	1781	1780	1779	1778	1777	1776	1775	1774	1773	1772	1771	1770	1769	1768	1767	1766	1765	1764	1763	1762	1761	1760	1759	1758	1757	1756	1755	1754	1753	1752	1751	1750	1749	1748	1747	1746	1745	1744	1743	1742	1741	1740	1739	1738	1737	1736	1735	1734	1733	1732	1731	1730	1729	1728	1727	1726	1725	1724	1723	1722	1721	1720	1719	1718	1717	1716	1715	1714	1713	1712	1711	1710	1709	1708	1707	1706	1705	1704	1703	1702	1701	1700	1699	1698	1697	1696	1695	1694	1693	1692	1691	1690	1689	1688	1687	1686	1685	1684	1683	1682	1681	1680	1679	1678	1677	1676	1675	1674	1673	1672	1671	1670	1669	1668	1667	1666	1665	1664	1663	1662	1661	1660	1659	1658	1657	1656	1655	1654	1653	1652	1651	1650	1649	1648	1647	1646	1645	1644	1643	1642	1641	1640	1639	1638	1637	1636	1635	1634	1633	1632	1631	1630	1629	1628	1627	1626	1625	1624	1623	1622	1621	1620	1619	1618	1617	1616	1615	1614	1613	1612	1611	1610	1609	1608	1607	1606	1605	1604	1603	1602	1601	1600	1599	1598	1597	1596	1595	1594	1593	1592	1591	1590	1589	1588	1587	1586	1585	1584	1583	1582	1581	1580	1579	1578	1577	1576	1575	1574	1573	1572	1571	1570	1569	1568	1567	1566	1565	1564	1563	1562	1561	1560	1559	1558	1557	1556	1555	1554	1553	1552	1551	1550	1549	1548	1547	1546	1545	1544	1543	1542	1541	1540	1539	1538	1537
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US DATA

IN MARKET ACTIVITY				BY DATE			
IN Volume (Billion)				BY DATE			
Friday	Thursday	Wednesday	Tuesday	Friday	Thursday	Wednesday	Tuesday
NYSE	1,002.4	1,004.6	926.0	Index Traded	3,330	3,350	3,360
AMEX	44.83	45.17	45.50	Overseas	2,657	2,677	2,687
NASDAQ	1,026.1	1,026.7	1,025.5	Over-the-Counter	1,800	1,775	1,720
				Exchange	491	497	494
				New High	11	11	11
				Low Price	48	48	48

IN NYSE TRADING ACTIVITY				Volume : 1,002,360,000			
IN ACTIVE STOCKS				IN MARKET ADVANCE			
Friday	Thursday	Wednesday	Tuesday	Friday	Thursday	Wednesday	Tuesday
Common	14,594,000	14,266	14,266	Up	161	161	+16.7
AmIndex	11,739,000	11,800	-18	NYSE ADV	102	102	+19.6
AmIndex	1,002,400	1,004,600	-78	Overseas	234	234	+14.8
AMEX	8,442,200	7776	+6	OMV	234	234	+14.8
NASDAQ	8,524,200	101	-94	Over-the-Counter	234	234	+14.8
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NYSE	1,002,400	1,004,600	-78</				

Don Jones **JAPAN**

APRIL 16, 1989

Security	Stocks	Bonds	Com. Price	Day's Change
Nikkei	44,004.00	288	-1	+6
Dow Jones	33,677.00	109	-1	+6
S&P 500	30,605.00	177	-1	+7
Nasdaq	2,670.00	278	-1	+3
Realist	18,240.00	141	-1	+1
Realist II	12,270.00	141	-1	+1
Realist III	12,284.00	142	-1	+1
Realist IV	11,470.00	240	-1	+1
Realist V	9,847.00	240	-1	+1
Realist VI	8,751.00	190	-1	+3

GERMANY

APRIL 16, 1989

Security	Stocks	Bonds	Com. Price	Day's Change
DAX	9224.15	5105.35	518	-0.5
Days Inc	547.44	Days Inc	510.2	-0.25
FRANKFURT TRADING ACTIVITY				
IN ACTIVE STOCKS				
Monte Carlo	357.804	41.35	-0.5	-0.5
BAF	541.026	47.28	-0.25	-0.25
Lufthansa	675.000	72.5	-0.5	-0.5
Wolfsburg	450.007	47.2	-0.25	-0.25
Wolfsburg II	270.000	30.0	-0.5	-0.5
Wolfsburg III	243.230	46.2	-0.5	-0.5
Deutsche	336.547	32.7	-0.1	-0.1
Deutsche II	320.000	30.0	-0.5	-0.5
Deutsche III	320.000	30.0	-0.5	-0.5
Deutsche IV	320.000	30.0	-0.5	-0.5
Deutsche V	320.000	30.0	-0.5	-0.5
Deutsche VI	320.000	30.0	-0.5	-0.5
Deutsche VII	320.000	30.0	-0.5	-0.5
Deutsche VIII	320.000	30.0	-0.5	-0.5
Deutsche IX	320.000	30.0	-0.5	-0.5
Deutsche X	320.000	30.0	-0.5	-0.5
Deutsche XI	320.000	30.0	-0.5	-0.5
Deutsche XII	320.000	30.0	-0.5	-0.5
Deutsche XIII	320.000	30.0	-0.5	-0.5
Deutsche XIV	320.000	30.0	-0.5	-0.5
Deutsche XV	320.000	30.0	-0.5	-0.5
Deutsche XVI	320.000	30.0	-0.5	-0.5
Deutsche XVII	320.000	30.0	-0.5	-0.5
Deutsche XVIII	320.000	30.0	-0.5	-0.5
Deutsche XIX	320.000	30.0	-0.5	-0.5
Deutsche XX	320.000	30.0	-0.5	-0.5
Deutsche XXI	320.000	30.0	-0.5	-0.5
Deutsche XXII	320.000	30.0	-0.5	-0.5
Deutsche XXIII	320.000	30.0	-0.5	-0.5
Deutsche XXIV	320.000	30.0	-0.5	-0.5
Deutsche XXV	320.000	30.0	-0.5	-0.5
Deutsche XXVI	320.000	30.0	-0.5	-0.5
Deutsche XXVII	320.000	30.0	-0.5	-0.5
Deutsche XXVIII	320.000	30.0	-0.5	-0.5
Deutsche XXIX	320.000	30.0	-0.5	-0.5
Deutsche XXX	320.000	30.0	-0.5	-0.5
Deutsche XXXI	320.000	30.0	-0.5	-0.5
Deutsche XXXII	320.000	30.0	-0.5	-0.5
Deutsche XXXIII	320.000	30.0	-0.5	-0.5
Deutsche XXXIV	320.000	30.0	-0.5	-0.5
Deutsche XXXV	320.000	30.0	-0.5	-0.5
Deutsche XXXVI	320.000	30.0	-0.5	-0.5
Deutsche XXXVII	320.000	30.0	-0.5	-0.5
Deutsche XXXVIII	320.000	30.0	-0.5	-0.5
Deutsche XXXIX	320.000	30.0	-0.5	-0.5
Deutsche XL	320.000	30.0	-0.5	-0.5
Deutsche XLI	320.000	30.0	-0.5	-0.5
Deutsche XLII	320.000	30.0	-0.5	-0.5
Deutsche XLIII	320.000	30.0	-0.5	-0.5
Deutsche XLIV	320.000	30.0	-0.5	-0.5
Deutsche XLV	320.000	30.0	-0.5	-0.5
Deutsche XLVI	320.000	30.0	-0.5	-0.5
Deutsche XLVII	320.000	30.0	-0.5	-0.

FRANCE[illegible]

Apr 15	1999 Low		Stock compilation Low	
	High	Low	High	Low
10.54	4378.34	3658.72	4388.48	384.51
Volume : 684,207,210				
IN DANGER! MOVIES				
% up	Monday	Close price	Day's change	Day's claps
4	Use	45	+2.5	+11.9
11	Unat	235.5	+21.5	+9.0
8	Brooks	19.5	+1.1	+0.2
7	Waltz	35.30	+3.80	+4.9
6	Reed	79.4	+0.2	+0.5
5	Combs			
4	CPA	45.11	-3.49	-7.0
3	Trill	76.2	-4.4	-5.4
2	Leibel	213.8	-10.4	-4.9
Volume : 1,490,000,000				
Apr 15	1999 Low		Stock compilation Low	
	High	Low	High	Low
98.1	5918.30	5770.30	5915.3	586.9
IN DANGER! MOVIES				
% up	Monday	Close price	Day's change	Day's claps
14	Use			
14	Orlando T&E	11h	+2	+35.3
14	Princess	27h	+7	+34.1
14	Princess	8h	+2	+32
14	Deeper Of	21	+44.4	+35.4
14	Deeper	1h	+36	+25
14	Eng & D	59h	+17	+22.2
14	Deems			
14	Deems	18h	+5	+21.3
14	Deems	18h	+5	+21.3
14	Deems	18h	+5	+21.3

INDEX FUTURES

	Open	Latest	Change	High
HS 54P 500				
Jun	1324.80	1332.20	+8.20	1332.40
Sep	-	1335.80	-	-
HS Mikical 225				
Open		Sell price	Change	High
Jun	16740.0	16520.0	-170.0	16840.0
Sep	16820.0	16740.0	-80.0	16830.0

Low	Est. vol.	Open int.	Open	Settle
323.90	86,819	367,720	Apr	4294.5
	84	5,482	May	4214.8
Low	Est. vol.	Open int.	Open	Settle
599.0	28,210	210,482	Jan	3774.0
36740.0	2	5,601	Sep	3727.7

1991	% Ytd	% YE	Country	Index	Apr 10
14948.8 1491	4.12	13.4	India	ISE Sens.	3961.0
Low on more than 14 per cent.				S & P GNF 300	3849.1
30684.0 1491	2.76	24.8	Indonesia	Jakarta Comp.	3081.4
-35210 1290					
Low at previous year's close					
101,135 2501	2.88	15.4	Israel	ISEX Index	3218.57
Low at previous year's close					
216,675 2451	1.48	21.8	Italy	ISE All-Share Index	3000.0
Low at 12 months					
10,037.0 1491	6.55	na	Italy	ISE All-Share Index	3000.0
Low on more than 14 per cent.					
30,762.50 1302	1.87	24.1	Japan	TOPIX	1932.09
20,835.40 1302					
Low on more than 14 per cent.					
33,857.50 1301					
Low at previous year's close					
30,697.45 1491	2.46	15.8	Malaysia	FTSE 100	1798.54
Low on more than 14 per cent.					
32,38 955	1.26	26.7	Malaysia	FTSE 100	1798.54
15,538 1008					
Low on more than 14 per cent.					
80,678.70 1491	4.52	4.8	Mexico	IPC	5961.56
Low on more than 14 per cent.					
330.40 1491	na	na	Netherlands	AEX	778.45
na					
865.91 1993	1.81	10.1	New Zealand	SEAX Index	1985.5
Low on more than 14 per cent.					
30,842 1191	na	na	Norway	OSEX Index	775.0
Low on more than 14 per cent.					
90,676.00 1302	1.35	26.5	Philippines	SEAX Index	1985.5
Low on more than 14 per cent.					
2,652.04 1391	2.13	21.9	Poland	GPW Index	1000.0
366,724 1391					
Low on more than 14 per cent.					
74,880.00 495	1.26	19.2	Portugal	ISE All-Share Index	3000.0
69,643.20 1391					
Low on more than 14 per cent.					
111,291.00 1491	1.38	22.7	Romania	BSE All-Share Index	1000.0
Low on more than 14 per cent.					
17,908.92 1391					
Low on more than 14 per cent.					
2,652.04 1392	2.24	18.2	Singapore	SEAX Index	1985.5
69,643.20 1391					
Low on more than 14 per cent.					
1,800.00 1294					

247,288	29.05	+0.15
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					Under	19,865,470	552
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THE NASDAO-AMEX MARKET GROUP

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